

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

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



**FILED**  
05/09/2016



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Manager	Don R. Furlow	01-01-12 to 12-31-15
President of the Board	Philip R. Zickler (Deceased)	01-01-12 to 01-17-14
	(Vacant)	01-18-14 to 02-16-14
	Lloyd G. Hudson	02-17-14 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SEYMOUR MUNICIPAL AIRPORT  
AUTHORITY, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the Seymour 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 Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments 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 Results and Comments contained herein describe 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 and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

December 29, 2015

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
FEDERAL FINDINGS

***FINDING 2013-001 - FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the Airport Authority related to financial transactions and reporting.

1. Lack of Segregation of Duties: The Airport Authority has not separated incompatible activities related to cash and investments, receipts, and disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
2. Monitoring of Controls: An evaluation of the Airport Authority's system of internal control has not been conducted. 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 requires the Airport Authority to monitor and assess the quality of the system of internal control.
3. The Airport Authority did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Airport Authority should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. During the audit of the SEFA, we noted the following errors: The amounts reported for the Airport Improvement Program (AIP) were not correct. The state and local matching funds for the AIP grants were included in error, which resulted in the SEFA being overstated by \$219,116. Also, the AIPs were reported in one lump sum for each calendar year. The AIP grants should have been reported by individual grant project numbers and expenditures. Audit adjustments were proposed, accepted by the Airport Authority, and made to the SEFA presented in this report.

Without the proper system of internal controls in place that operates effectively, material misstatements of the financial statement could occur and remain undetected. We consider the above lack of internal controls to be a material weakness.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
FEDERAL FINDINGS  
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***Section III - Federal Award Findings and Questioned Costs***

***FINDING 2013-002 - INTERNAL CONTROL OVER AIRPORT IMPROVEMENT PROGRAM***

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0076-012, 3-18-0076-013,  
3-18-0076-014

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 or Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching, Period of Availability of Federal Funds, and Special Tests and Provisions - Revenue Diversion.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
FEDERAL FINDINGS  
(Continued)

*Activities Allowed or Unallowed and Allowable Costs/Cost Principles*

The Airport Authority management relied upon the engineering consultant to monitor budget and contractual payments related to the contractual agreements. A monitoring or review process had not been established to ensure compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Cash Management, Matching, and Period of Availability*

Airport Authority management relied upon their engineering firm consultant to prepare drawdown requests for federal funds for airport projects. Preparing these requests also included calculating matching amounts from state and local funds. The Administrative Assistant stated that she recalculated these amounts; however, no evidence of that was presented for audit. There was no evidence that anyone verified that the subsequent payments to vendors were paid in a timely manner after the drawdown of federal funds. The accounts payable claim vouchers were approved by the Airport Authority Director; however, he did not verify that the payments were made timely. A monitoring or review process had not been established to ensure compliance with the Cash Management, Matching, and Period of Availability compliance requirements.

*Special Tests and Provisions - Revenue Diversion*

The Airport Authority had not designed or implemented adequate policies and procedures to ensure that revenue was used only for operating and capital activities. A monitoring or review process had not been established to ensure compliance with the Special Tests and Provisions - Revenue Diversion compliance requirements.

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 program.

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 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 could result in the loss of federal funds to the Airport Authority

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
FEDERAL FINDINGS  
(Continued)

We recommended that the Airport Authority's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

***FINDING 2013-003 - DAVIS-BACON ACT***

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0076-012, 3-18-0076-013,  
3-18-0076-014

Management of the Airport Authority did not establish an effective internal control system over the Davis-Bacon Act compliance requirement. Controls were not in place to ensure their contracted engineering firm received all weekly certified payrolls from contractors and subcontractors for weeks in which work was completed. Based upon information provided by the contracted engineering firm, we were unable to determine if we received all weekly certified payrolls for the audit period to test. The contracted engineering firm maintained weekly payrolls that had been submitted and certified by the contractors; however, no records were maintained to track if work was completed each week and if a certified payroll should have been submitted.

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."

29 CFR 3.3(b) states in part:

"Each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by this part 3 and part 5 of this title during the preceding weekly payroll period. . . ."

The failure to establish internal controls enabled 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.

We recommended that the Airport Authority's management develop and implement procedures and controls to ensure that all weekly certified payrolls are received for work completed on construction contracts.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
FEDERAL FINDINGS  
(Continued)

**FINDING 2013-004 - EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0076-012, 3-18-0076-013,  
3-18-0076-014

Management of the Airport Authority has not established an effective internal control system over Equipment and Real Property Management, which would include segregation of duties, related to the grant agreement.

The Authority has capital asset records for buildings, improvements, and/or equipment regardless of the funding used to purchase or construct the capital asset. However, they did not record the federal grant information or the percentage of Federal participation in the cost of the property, or perform physical inventories. During 2012 and 2013, the Authority spent \$3,867,694 of federal funds for design and rehabilitation work on runway 5/23.

During 2013, the Authority sold surplus airport property, which consisted of the Kasting house and property for \$39,000. The proceeds were receipted to the Authority's Airport Fund and comingled with other airport revenues. An annual report was not submitted to the FAA.

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."

49 CFR 18.32(d) states:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
FEDERAL FINDINGS  
(Continued)

Based on a letter dated October 21, 2013, from the Federal Aviation Administration (FAA), concerning the release of surplus property land (the Kasting house and property) from the terms of surplus property agreements between the FAA and the Airport: "The airport owner will deposit the net proceeds from the sale of the above mentioned property or any other funds received from the purchase agreement into an identifiable interest-bearing airport account; and the principal shall be reinvested, without Federal matching funds, for eligible Airport Improvement Program development. The Airport Authority owner further agrees to submit to the FAA an annual report listing the income and expenditures from the account and to obtain FAA concurrence prior to expending any portion of the account principal. The interest or dividends from the account can be used for the capital or operating cost of the airport without prior FAA concurrence."

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 allowed noncompliance with compliance requirements and could allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

We recommended that the Authority include the appropriate information on their capital asset records that comply with the federal requirements and conduct a physical inventory at least every two years. We also recommended that the Airport Authority transfer the real property proceeds from the Airport Fund into a separate identifiable interest-bearing airport account, and submit annual reports for this fund.

Airport Authority's Response: "An internal control was already established through an airport ordinance in regards to the handling of revenue received from the disposal of airport property prior to this finding. This should not be considered a noncompliance or internal control finding."

Auditor's Rebuttal: The airport ordinance referred to by the Airport Authority was Resolution No. 3 "A Resolution for the deposit of the proceeds of the sale of airport property."; " . . . That the proceeds of the sale of any airport property, real or personal, be deposited into the General Aviation Fund of the Seymour Municipal Airport Authority. . . . An additional appropriation is required to be approved before the use of any deposited funds."

Based on a letter dated October 21, 2013, from the Federal Aviation Administration [FAA]: . . . "The airport owner will deposit the net proceeds from the sale of the above mentioned property or any other funds received from the purchase agreement into an identifiable interest-bearing airport account; and the principal shall be reinvested, without Federal matching funds, for eligible Airport Improvement Program development. The Airport owner further agrees to submit to the FAA an annual report listing the income and expenditures from the account and to obtain FAA concurrence prior to expending any portion of the account principal. The interest or dividends from the account can be used for the capital or operating cost of the airport without prior FAA concurrence."

The Airport Authority's corrective action does not address all of the FAA requirements as described in their October 21, 2013 letter.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2013-005 - PROCUREMENT AND SUSPENSION AND DEBARMENT***

Federal Agency: U.S. Department of Transportation  
Federal Program: Airport Improvement Program  
CFDA Number: 20.106  
Federal Award Number and Year (or Other Identifying Number): 3-18-0076-012, 3-18-0076-013,  
3-18-0076-014

Management of the Airport Authority has not established an effective internal control system, which would include segregation of duties, over the Procurement and Suspension and Debarment compliance requirement.

Airport Authority management relied upon their engineering firm consultant to ensure compliance with federal regulations for Procurement and Suspension and Debarment. A written procurement policy and a code of conduct had not been adopted by the Airport Authority.

The engineering firm consultant indicated that they did check the System for Award Management (SAM) website to ensure that the contractors and subcontractors were not suspended or debarred; however, they did not retain evidence of that verification. The engineering firm consultant also did not obtain copies of the subcontractors' contracts to verify that there was a suspension and debarment clause in each one. There was no evidence of oversight by the Airport Authority.

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."

49 CFR 18.36 states in part:

(b) *Procurement standards.*

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- (3) Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. . . ."

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
FEDERAL FINDINGS  
(Continued)

2 CFR, Subpart C – Responsibilities of Participants Regarding Transactions Doing Business With Other Persons, 180.300 states:

"What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

The Airport Authority did not comply with compliance requirements that have a direct and material effect on the program. The failure to comply with federal guidelines could result in the loss of future federal funding.

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 allowed noncompliance with compliance requirements and could allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

We recommended that the Airport Authority establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment requirements of the program.

***FINDING 2013-006 - REPORTING***

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): 3-18-0076-012, 3-18-0076-013,  
3-18-0076-014

Management of the Airport Authority has not established an effective internal control system, which would include segregation of duties, over the Reporting of the compliance requirement. 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 program.

The Airport Authority did not prepare SF-425 Federal Financial Reports during 2012. The SF-425 reports for 2013 prepared by the engineering firm consultant included the federal grant payments as program income in error.

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
FEDERAL FINDINGS  
(Continued)

In 2013, the Airport Authority was required to complete and submit the "AIP Grant Oversight Assessment Sponsor Certification Checklist" to the Federal Aviation Administration. "The purpose of this document is to assess whether the airport sponsor has policies, procedures, and Information Technology infrastructure supporting the categories below." The checklist included these major categories: Sponsor has a documented Procurement Process, Grants Oversight Process, Disbursement Process, and Business Continuity Process. Each of the related detailed subcategories were checked off by Airport Authority officials. The certification stated in part: "is accurate and represents the airport sponsors existing internal controls" and was signed by the Airport Authority Board President on January 22, 2013. Airport Authority officials were unable to provide the supporting documents.

Airport Authority management relied upon their engineering consultant to prepare financial reports required by the federal agency. The reports were signed by Airport Authority management; however, there was no evidence that the reports were traced to the Airport Authority's financial ledgers.

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."

Federal Aviation Administration memo dated October 7, 2009, stated in part: "We are issuing this Program Guidance Letter to comply with the Office of Management and Budget (OMB) directive for all federal agencies to begin using the new Federal Financial Report (FFR) form number SF-425 no later than October 2009."

The Federal Aviation Administration Office of Airports, Airport Improvement Program (AIP) Grant Oversight Risk Model Policy dated October 1, 2012, and updated March 22, 2013, states in part: "Section 3.1.3.1 Sponsors Risk Assessment Certification Document: The purpose of this document is to obtain a certified representation of the policies and processes for procurement, Grant Oversight, Disbursement, Business Continuity, Technology Infrastructure, and Demographics utilized by the sponsor."

The Airport Authority did not comply with compliance requirements that have a direct and material effect on the program. The failure to comply with federal guidelines could result in the loss of future federal funding.

We recommended that the Airport Authority develop procedures to ensure reporting requirements are followed and that reports are accurate.



# Freeman Municipal Airport

Freeman Field Industrial Park

## CORRECTIVE ACTION PLAN

### **FINDING 2013-001**

#### **CFDA:**

Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President

Contact Phone Number: (812) 522-2031

#### **Description of Corrective Action Plan:**

The airport office is a two-person office and it would not be feasible to hire a third person. During the last audit the Airport Authority accepted the risks associated with the lack of segregated duties. However, the Authority tries to insure the risks are minimal.

A written policy with internal control will tried to be established by the Authority.

#### **Anticipated Completion Date:**

The Airport will have an Internal Control System written and established by April 1, 2016.

Lloyd Hudson  
Authority President

December 17, 2015



# Freeman Municipal Airport

Freeman Field Industrial Park

## CORRECTIVE ACTION PLAN

### **FINDING 2013-002**

### **CFDA: 20.106**

Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President  
Contact Phone Number: (812) 522-2031

### **Description of Corrective Action Plan:**

A written policy with internal control will be established to provide redundant reviews of budgets, grant and account balances from within Airport Staff. Airport Consultant will continue to provide monthly, quarterly and annual reporting to supplement internal controls from airport staff.

### **Anticipated Completion Date:**

The Airport will have an Internal Control System written and established by April 1<sup>st</sup>, 2016.

Lloyd Hudson  
Authority President

December 17, 2015



# Freeman Municipal Airport

Freeman Field Industrial Park

## CORRECTIVE ACTION PLAN

**FINDING 2013-003**

**CFDA: 20.106**

Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President

Contact Phone Number: (812) 522-2031

### **Description of Corrective Action Plan:**

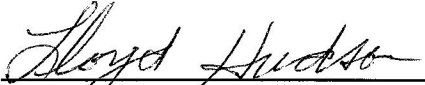
In the past the airport consultant performed regular audits of the Davis-Bacon act compliance with certified payroll and included this with Report of Final Findings with each project funded under AIP Grant Program which are reviewed by the FAA during Grant Close out. We understand that SBOA is now requesting additional internal controls to monitor compliance with these regulations.

A written policy with internal control will be established to provide redundant reviews of certified payroll submitted with monthly progress estimates on projects funded under the AIP Grant Program.

Contractors will be required to submit monthly certified payroll which along with all progress estimates. Payroll will be verified by the airport consultant as well as the airport staff prior to issuance of any payments.

### **Anticipated Completion Date:**

The Airport will have an Internal Control System written and established by April 1<sup>st</sup>, 2016.

  
Lloyd Hudson  
Authority President

December 17, 2015



# Freeman Municipal Airport

Freeman Field Industrial Park

## CORRECTIVE ACTION PLAN

### **FINDING 2013-004**

### **CFDA: 20.106**

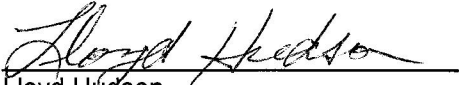
Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President  
Contact Phone Number: (812) 522-2031

### **Description of Corrective Action Plan:**

An internal control was already established through an airport ordinance in regards to the handling of revenue received from the disposal of airport property prior to this finding. This should not be considered a Non-Compliance or Internal Control finding.

### **Anticipated Completion Date:**

The Airport has already established an internal control on this item through the development of Airport Resolution # 3 Authority Bill # 5 which was established in September of 2013 prior to the sale of the Kasting House Property.

  
Lloyd Hudson  
Authority President

December 17, 2015



# Freeman Municipal Airport

Freeman Field Industrial Park

## CORRECTIVE ACTION PLAN

### **FINDING 2013-005**

### **CFDA: 20.106**

Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President

Contact Phone Number: (812) 522-2031

### **Description of Corrective Action Plan:**

In the past the airport consultant has performed this review for compliance with Suspension and Debarment and reported it as part of the Recommendation of Award.

Moving forward an internal control system that includes documentation and redundant review by airport shall will be completed and retained for audit review records.

We are waiting on documentation from SBOA in regards to review of Sub-Contractors requirement to Suspension and Debarment. At this time FAA Sample contracts do not require contractor to issue copies of Sub agreements as part of their bid packet at the time of the bids. Review of suspension and debarment based on Certified Payroll would be too late to prevent any non-compliance to the regulations.

Once SBOA provides us with the requested clarification, the airport will modify their policies and practices to comply.

### **Anticipated Completion Date:**

The Airport will have an Internal Control System written and established by April 1<sup>st</sup>, 2016.

Lloyd Hudson  
Authority President

December 17, 2015



# Freeman Municipal Airport

Freeman Field Industrial Park

## CORRECTIVE ACTION PLAN

### **FINDING 2013-006**

### **CFDA: 20.106**

Contact Person Responsible for Corrective Action: Lloyd Hudson – Board President

Contact Phone Number: (812) 522-2031

### **Description of Corrective Action Plan:**

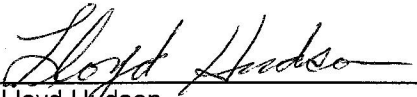
Beginning with all 2015 reporting, all SF425 reporting has been corrected to show "Recipient Share" as the amount that the Federal portion does not cover. Previous reports only showed true local share not including State participation.

Report period end dates will reflect when the annual report is due (90 days after the end of the fiscal year) unless directed otherwise by FAA. Currently no Quarterly SF425 reporting is accomplished.

The airport will establish an internal control to cross check the airport's consultant with airport financial ledgers prior to execution of the reports and transmittal to the FAA.

### **Anticipated Completion Date:**

The Airport will have an Internal Control System written and established by April 1<sup>st</sup>, 2016.

  
Lloyd Hudson  
Authority President

December 17, 2015

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
AUDIT RESULTS AND COMMENTS

***ADVANCE PAYMENT AND LACK OF WRITTEN CONTRACT***

During 2013, the Airport Authority paid a contractor \$24,682 as a down payment for the purchase of materials for a hangar roof replacement job. The materials were not purchased by the contractor until the subsequent year, just before the actual work was performed by the contractor. The Airport Authority did not enter into a written contract for the roof replacement job.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 Special Districts, Chapter 10)

***APPROPRIATIONS***

The records presented for audit indicated the following expenditures in excess of budgeted appropriations of \$248,026 and \$35,625 for the Rainy Day 2012 and the Rainy Day 2013 funds, respectively.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SEYMOUR MUNICIPAL AIRPORT AUTHORITY  
EXIT CONFERENCE

The contents of this report were discussed on December 29, 2015, with Lloyd G. Hudson, President of the Board; Brian H. Thompson, Vice President of the Board; Don R. Furlow, Airport Manager; Diane Schepman, Administrative Assistant; and Corey Harper, Airport Planner with Butler, Fairman & Seufert, Inc.