

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

EVANSVILLE-VANDERBURGH AIRPORT
AUTHORITY DISTRICT
A COMPONENT UNIT OF
VANDERBURGH COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
01/06/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2015-001 - Preparation of the Schedule of Expenditures of Federal Awards	4-5
Finding 2015-002 - Internal Controls over Financial Reporting and Transactions	5-6
Corrective Action Plan.....	7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Douglas P. Joest	01-01-15 to 12-31-16
Treasurer	J P Englebrecht Alan Leibundguth Douglas P. Joest	01-01-15 to 07-26-15 07-27-15 to 06-26-16 06-27-16 to 12-31-16
President of the Board	Rick Kaskel J P Englebrecht	01-01-15 to 06-26-16 06-27-16 to 12-31-16



STATE OF INDIANA

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TO: THE OFFICIALS OF THE EVANSVILLE-VANDERBURGH AIRPORT
AUTHORITY DISTRICT, VANDERBURGH COUNTY, INDIANA

This report is supplemental to our audit report of the Evansville-Vanderburgh Airport Authority District (Airport Authority), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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 Findings, identified in the above referenced audit report, are included in this report.

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

December 16, 2016

EVANSVILLE-VANDEBURGH AIRPORT AUTHORITY DISTRICT
FEDERAL FINDINGS

FINDING 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

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 SEFA presented for audit contained the following material errors: incorrect amounts were reported for federal awards expended for all nine grants resulting in an overstatement of \$2,185,450; and notes to the SEFA were not presented for audit.

Audit adjustments were proposed, accepted by the Airport Authority, and made to the SEFA.

Criteria

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)

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must be included.

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
FEDERAL FINDINGS
(Continued)

- (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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

The Airport Authority's internal controls over the Financial Statements (Statements) and Notes to the Financial Statements (Notes) were not effective in preventing, or detecting and correcting, errors in a timely manner. As a result, the Statements and Notes contained the following errors.

Statement of Net Position:

1. Grants Receivable was overstated by \$2,989,457. Prior year-end receivables were not reversed during the current period.
2. Capital Asset components reported did not equal the note disclosure or the detailed records. Total Capital Assets reported were correct.
3. Accounts Receivable was understated by \$31,783 because an operating grant was classified as a capital grant.
4. Net position - Restricted for Other Purposes was overstated by \$2,989,457 as a result of the grant receivable overstatement. Net Position - Unrestricted was understated by \$31,783 as a result of the misclassification of the operating grant.

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
FEDERAL FINDINGS
(Continued)

Statement of Revenues, Expenses and Changes in Net Position:

1. Capital contributions were overstated by \$3,031,123. The prior year-end grants receivable were posted to contributions instead of grants receivable when received. Also, an operating grant and matching donation were included in Capital contributions.
2. Operating Grants were understated by \$73,449 due to being included in capital contributions.
3. Ending net position overstated by \$2,957,674 due to above errors.

Statement of Cash Flows:

Over (Under) stated due to errors made in the Statement of Net Position and the Statement of Changes in Net Position.

Notes:

1. Capital Assets note did not agree to the Statement of Net Position, the detailed records or the prior year note disclosure.
2. Note disclosure of rental income from operating leases did not agree with the detailed records.

Adjustments were proposed, accepted by the Airport Authority, and made to the Statements and Notes.

Criteria

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)

Cause

Management of the Airport Authority had not established a proper system of internal control that would have ensured accurate financial transactions and reports.

Effect

The failure to establish controls enabled material misstatements to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



CORRECTIVE ACTION PLAN

FINDING 2015-001 Preparation of the Schedule of Expenditures of Federal Awards

FINDING 2015-002 Internal Controls Over Financial Transactions and Reporting

Contact Person Responsible for Corrective Action:

Doug P. Joest

Contact Phone Number:

(812) 421-4401

Views of Responsible Official:

The airport authority accepted the proposed audit adjustments and they were reflected in the Schedule of Expenditures of Federal Awards, the Financial Statements and Notes

Description of Corrective Action Plan:

The corrective action we will undertake is to add additional part-time accounting staff to further segregate duties and support the accounting function. In addition, we will engage an outside CPA firm for additional accounting support, as needed.

Anticipated Completion Date:

These corrective actions will be implemented in the preparation of the 2016 Financial Statements.

Douglas P. Joest

Executive Director and Treasurer

December 16, 2016

EVANSVILLE-VANDERBURGH AIRPORT AUTHORITY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 16, 2016, with Douglas P. Joest, Executive Director and Treasurer; J P Engelbrecht, President of the Board; Gretchen Muchnick, Board member; and Jean Stevens, Director of Finance.