

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PERRY COUNTY PORT AUTHORITY

PERRY COUNTY, INDIANA

January 1, 2022 to December 31, 2022



FILED

11/21/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chair of the Port Authority Board	Bill Goffinet Tom Holm	01-01-22 to 11-30-22 12-01-22 to 12-31-23
Treasurer of the Port Authority Board	Danny Thomas Jason Brown	01-01-22 to 12-31-22 01-01-23 to 12-31-23
General Manager	Jared Kleemann	01-01-22 to 12-31-23
Bookkeeper	Wes Terry	01-01-22 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE PERRY COUNTY PORT AUTHORITY, PERRY COUNTY, INDIANA

This report is supplemental to the audit report of the Perry County Port Authority (Authority), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Port Authority. It should be read in conjunction with the Financial Statement Audit Report of the Port Authority, which provides our opinions on the Port Authority's financial statement. This report may be found at www.in.gov/sboa/.

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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 14, 2023

PERRY COUNTY PORT AUTHORITY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

Condition and Context

There were deficiencies in the internal control system of the Authority related to financial transactions. The Authority contracts with a CPA firm to complete bookkeeping activities; however, the Authority had not designed or implemented a system of effective internal controls related to cash and investments and payroll disbursements. There was no oversight, review, or approval process to ensure the accuracy of the information completed by the CPA firm.

Cash and Investments

Bank reconciliations were performed and reviewed at the CPA firm. However, no review was conducted by either the governing board or staff of the Authority.

Payroll Disbursements

Payroll documents were collected and sent to a CPA firm. The CPA firm processed the payroll. The governing board approved the total payroll amount rather than a detailed listing of payroll disbursements. The General Manager was provided a detailed listing of payroll disbursements, but no formal review was documented.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

CAPITAL ASSETS

Condition and Context

The capital asset listing provided by the Authority was not accurate. The capital asset list included a material amount of unknown assets from past years. A complete inventory of capital assets owned by the Authority has not been completed in the past two years.

PERRY COUNTY PORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

During the audit period, the Authority could not provide supporting documentation indicating the governing body had received training over the internal control standards.

Criteria

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Authority certified on Indiana Gateway for Government Units financial reporting system that internal control standards were adopted, and training was received by the appropriate personnel for the audit period. The Authority did not maintain documentation indicating the governing body had received training over internal control standards.

Criteria

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

"The state examiner shall require from every audited entity 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](#)."

PERRY COUNTY PORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

Financial, supplemental, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Authority had not established effective internal controls over the AFR information entered into Gateway. Although a CPA firm entered the information into Gateway and the General Manager reviewed the information entered, the internal control was not effective and did not detect and allow correction of errors prior to submission.

Due to ineffective internal controls, the AFR contained the following errors:

Debt

For 1304 - Note Payable - SIP 2, the ending principal balance entered into Gateway was understated by \$145,541.

Adjustments were proposed, accepted by the Authority, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the Authority.

Capital Assets

The Authority's capital assets reported in Gateway could not be verified as the Authority did not have a complete listing of all capital assets. The Authority chose to not present the Schedule of Capital Assets in the Financial Statement Audit Report of the Authority.

Grants

The Authority reported in Gateway amounts for *Amount of Insurance in Effect During the Year* for three federal programs. The federal programs awarded to the Authority were not part of a federal insurance program. The error resulted in an overstatement of the grant information of \$1,124,667.

Criteria

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PERRY COUNTY PORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

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PERRY COUNTY PORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2023, with Jared Kleemann, General Manager; Tom Holm, Chair of the Port Authority Board; and Jon Scheer, Port Authority Board member.