

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY

CLINTON COUNTY, INDIANA

January 1, 2018 to December 31, 2023



FILED

08/28/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cathy Hamilton (deceased) Sesaly Reifert	01-01-18 to 12-31-22 01-01-23 to 12-31-24
President of the Airport Authority Board	Alan Dunn	01-01-18 to 12-31-24



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE FRANKFORT CLINTON COUNTY
AIRPORT AUTHORITY, CLINTON COUNTY, INDIANA

This report is supplemental to the audit report of the Frankfort Clinton County Airport Authority (Authority), for the period from January 1, 2018 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Authority. It should be read in conjunction with the Financial Statements Audit Report of the Authority, which provides our opinions on the Authority's financial statements. 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

August 13, 2024

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Authority related to financial transactions and reporting. The Authority had not separated incompatible activities related to financial close and reporting, cash and investments, receipts, and compliance with applicable laws and regulations.

Financial Close and Reporting

The Authority had not established internal controls over the financial information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statements. The Authority did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the AFR. The Treasurer submitted the AFR; however, there was no evidence of an oversight, review, or approval process.

Cash and Investments

The Authority had not separated incompatible activities related to cash and investments. The Authority did not have internal controls in place to ensure bank reconciliations were completed timely and accurately.

Receipts

The Authority had not established effective internal controls over receipts. The Treasurer prepared a monthly receipt transaction report which was presented and reviewed by the Authority Board; however, internal controls were not effective as material errors were identified during the audit period.

Compliance

Proper internal controls were not in place to ensure the Authority complied with applicable laws and regulations. As a result, the following noncompliance was identified:

- Financial Close and Reporting
- Annual Financial Report - Other Information
- Bank Account Reconciliations
- Late Submission of the Annual Financial Report
- Overdrawn Cash Balances
- Adoption of, and Training on, Internal Control Standards
- Certification on Internal Control Standards
- Annual and Monthly Uploads
- Late Submission of Certified Report

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

- Condition of Records
- Capital Assets
- Ordinances and Resolutions

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. . . ."

FINANCIAL CLOSE AND REPORTING

Condition and Context

The Authority's financial information was prepared and electronically submitted by the Treasurer to the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Authority's Annual Financial Report (AFR) and financial statements. The following errors occurred:

- In 2018, the Cumulative Airport Bldg fund disbursements were overstated by \$125,000, which understated the ending cash and investments by \$125,000.
- In 2021, the 20.106 AIP 23 Construct Hangar Bldg fund was understated for both receipts and disbursements by \$323,709.
- In 2022, disbursements to grant funds were not recorded to the proper fund. Disbursements for fund 20.106 AIP 23 Construct Hangar Bldg was overstated by \$150,000, which understated the ending cash and investments by \$150,000. Grant fund 20.106 AIP 26-2022 was added to the financial statement. Receipts and disbursements for 20.106 AIP 26-2022 were each understated by \$150,000.
- In 2022, disbursements to grant funds were not recorded to the proper fund. Disbursements for fund 20.106 AIP 23 Construct Hangar Bldg was overstated by \$159,000, which understated the ending cash and investments by \$159,000. Grant fund 20.106 AIP 27-2022 was added to the financial statement. Receipts and disbursements for 20.106 AIP 27-2022 were each understated by \$159,000.

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

- In 2022, disbursements for fund AIP28BILFY23 were not posted to the proper fund. Disbursements for fund 20.106 AIP 23 Construct Hangar Bldg were overstated by \$145,000, which understated the ending cash and investments by \$145,000, and disbursements for fund AIP28BILFY23 were understated by \$145,000, which overstated the ending cash and investments by \$145,000.
- Numerous other errors were identified in various other funds resulting in the 2018 disbursements being overstated by \$49,474, which understated the ending cash and investments by \$49,474; the 2019 disbursements were understated by \$12,333, which overstated the ending cash and investments by \$12,333; the 2020 disbursements were overstated by \$12,333, which understated the ending cash and investments by \$12,333; the 2022 disbursements were understated by \$88,434, which overstated the ending cash and investments by \$88,434; and the 2023 receipts and disbursements were understated by \$107,330 and \$29,065, respectively, which understated the ending cash and investments by \$78,265.

Audit adjustments were proposed, accepted by the Authority, and made to the financial statements presented in the Financial Statements Audit Report of the Authority. There were other immaterial errors for which the financial statements were not adjusted.

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 as set forth in the uniform compliance guidelines. 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](#)."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial 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, which resulted in the following errors:

Leases and Debt

The Authority did not include two loans on the Schedule of Leases and Debt for 2020-2023. The Authority made loan payments of \$141,754, \$130,850, \$98,138, and \$153,204 for one of the loans for 2020, 2021, 2022, and 2023, respectively. The other loan had no payments during the audit period.

The Authority approved the omission of the Schedule of Leases and Debt in the Financial Statements Audit Report of the Authority.

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

Capital Assets

We were not able to verify the amounts reported for capital assets during the audit period. The Authority did not provide supporting documentation to support the capital asset activity of the Authority.

The Authority approved the omission of the Schedule of Capital Assets in the Financial Statements Audit Report of the Authority.

Grant Schedule

The Authority understated the grant schedule \$26,625 for 2020 and \$320,866 for 2021. In 2022, the Authority incorrectly included insurance on the grant schedule, which caused an overstatement of \$4,000,000.

Since the Authority did not expend the requisite amount of federal dollars during any year of the audit period, a Schedule of Expenditures of Federal Awards was not required to be reported.

Investment Schedule

The Authority did not report the money market account held on the investment schedule from 2018-2023.

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 as set forth in the uniform compliance guidelines. 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](#)."

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Authority had not reconciled its depository balances to its financial ledgers. The Authority had not prepared any reconcilements for the audit period.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

Condition and Context

The Authority was required to submit its Annual Financial Report (AFR) to the Indiana Gateway for Government Units financial reporting system within 60 days after the close of each fiscal year. The 2022 AFR was submitted on March 9, 2023, which was 8 days past the due date. The 2023 AFR was submitted on April 23, 2024, which was 54 days past the due date.

Criteria

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Special Districts, Chapter 1)

OVERDRAWN CASH BALANCES

Condition and Context

At December 31, 2021, and December 31, 2023, the financial statements included the Debt Service fund with negative cash balances of \$9,174 and \$768, respectively.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

Condition and Context

The Authority had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

In addition, Authority officials whose duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Authority, had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

Criteria

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Authority certified on the Indiana Gateway for Government Units (Gateway) financial reporting system that it had adopted the minimum internal control standards and trained personnel, as required by Indiana Code 5-11-1-27(e); however, the Authority had not adopted the minimum internal control standards or trained personnel; therefore, the certification was incorrect.

Criteria

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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](#)."

ANNUAL AND MONTHLY UPLOADS

Condition and Context

The Authority did not comply with the Amended State Examiner Directive 2018-1, the Authority only uploaded Authority Board minutes for January 2018 through September 2022 and bank statements for January 2022 through September 2022 and did not upload any of the annual files for any of the years on the Indiana Gateway for Government Units financial reporting system for audit period.

The following files and governmental unit information are required to be uploaded monthly:

- Bank reconcilements
- Bank Statements (effective for the required upload beginning with December 2020 information)
- Outstanding Check Lists (effective for the required upload beginning with December 2020 information)

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

- Approved board minutes
- Funds ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund (beginning and ending balances effective for the required uploads beginning with December 2020 information)

The following files and governmental unit information are required to be uploaded annually:

- Year-end bank statement (no longer required after 2019 annual uploads)
- Year-end outstanding check list (no longer required after 2019 annual uploads)
- Year-end investment statements
- Detail of receipts for the year
- Detail of disbursements for the year
- Current year salary ordinance (and Amendments effective beginning with annual uploads of 2020 information)
- Annual vendor history report
- Annual employee earnings record/payroll history report without social security numbers (unless only hand posted records exist)
- Annual funds ledger summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund (effective beginning with 2020 information)

Criteria

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

LATE SUBMISSION OF CERTIFIED REPORT

Condition and Context

The Authority's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for 2020 was not filed electronically until April 5, 2021, which was 63 days past the due date; Form 100R for 2021 was not filed electronically until February 23, 2022, which was 23 days past the due date; and Form 100R for 2023 was not filed.

Criteria

Indiana Code 5-11-13-1(b) states:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CONDITION OF RECORDS

A similar comment also appeared in prior Report B51123.

Condition and Context

The Authority had multiple errors with financial transaction reporting due to receipts and disbursements not being recorded timely or to the incorrect fund. The following errors were identified:

- In 2018, two receipts totaling \$5,860 were not recorded in the financial ledger or the financial statement but were deposited into the bank account.
- In 2019, disbursements totaling \$12,333 were issued and cleared the bank but were not recorded to the financial ledger until 2020.
- In 2020, one receipt for \$187 was recorded to a federal grant fund instead of the proper state grant fund. Additionally, one receipt for \$59,200 was not recorded to the proper grant fund.
- In 2021, three receipts totaling \$2,843 were recorded to a federal grant fund instead of the proper state grant fund. Additionally, one receipt for \$943 was not recorded to the financial ledger or the financial statement at the time of the transaction.
- In 2022, two receipts totaling \$309,000 tested were not recorded to the financial ledger or the financial statement.
- In 2023, two receipts totaling \$17,167 were not recorded to the proper fund. Additionally, one receipt for \$8,833 was not recorded to the financial ledger or the financial statement at the time of the transaction.

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

CAPITAL ASSETS

Condition and Context

The Authority had not adopted a capital assets policy that details the threshold at which an item is considered a capital asset. In addition, the Authority had not completed a physical inventory or properly maintained a complete inventory of capital assets owned. There were no capital asset records presented for audit.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. 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)

ORDINANCES AND RESOLUTIONS

A similar comment appeared in prior Report B45237. The same comment also appeared in prior Reports B51119 and B51123.

Condition and Context

As of December 31, 2012, the Authority was indebted to the City of Frankfort (City) in the amount of \$80,426 for loan and vendor payments paid by the City on behalf of the Authority. On August 7, 2012, the Authority Board and the Common Council agreed to a repayment schedule for these payments with yearly payments ranging from \$20,000 to \$20,426 with the final payment toward the debt being made in 2016. No payments for the debt had been made by the Authority as of December 31, 2023.

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts.
(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2024, with Sesaly Reifert, Treasurer, and Alan Dunn, President of the Airport Authority Board.