

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

COMPLIANCE ENGAGEMENT REPORT

OF

HOOSIER HERITAGE PORT AUTHORITY

HAMILTON COUNTY, INDIANA

January 1, 2020 to December 31, 2023



FILED
10/10/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Rhonda Klopfenstein	01-01-20 to 12-31-24
President of the Authority Board	David George	01-01-20 to 12-31-24



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE HOOSIER HERITAGE PORT
AUTHORITY, HAMILTON COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Hoosier Heritage Port Authority (Authority), for the period of January 1, 2020 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Authority as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Authority's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Rhonda Klopfenstein, Director; James Hellmann, Authority Board member; and Joshua Morris, Authority Board member, on August 21, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

July 11, 2024

HOOSIER HERITAGE PORT AUTHORITY COMMENTS

INTERNAL CONTROLS

Condition and Context

Deficiencies in the internal control system of the Authority resulted in noncompliance with laws, regulations, and Guidelines over the areas listed below and detailed in the comments below:

- Penalties, Interest, and Other Charges
- Bank Account Reconciliations
- Receipts
- Annual Financial Report
- Adoption of, and Training on, Internal Control Standards
- Monthly and Annual Uploads
- Capital Assets
- Supporting Documentation
- Record of Hours Worked
- Errors on Claims
- Prescribed Forms

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. . . ."

PENALTIES, INTEREST, AND OTHER CHARGES

The same comment also appeared in prior Report B55639.

Condition and Context

During the engagement, we identified the Authority paid \$728.65 in penalties and interest due to late payments to the Indiana Department of Revenue in 2021, 2022, and 2023.

HOOSIER HERITAGE PORT AUTHORITY
COMMENTS
(Continued)

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

We recommended that Rhonda Klopfenstein, Director, reimburse the Authority for penalties and interest paid during the 2021 through 2023 engagement period as noted above.

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B55639.

Condition and Context

Bank statements were provided during the engagement with a reconciliation of the bank balances; however, no evidence was provided to show a reconciliation between the bank and fund ledger amounts was being performed. The bank reconciliations prepared by the Authority had errors when comparing them to the fund ledger. The table below shows the differences between the reconciled bank balances and the fund ledger cash and investment balances. The Schedule of Cash and Investments Balances was not adjusted for this variance.

<u>Year Ended</u> <u>December 31</u>	<u>Cash</u> <u>Long (Short)</u>
2020	\$ (20,585)
2021	(21,343)
2022	(22,659)
2023	8,010

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."

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)

HOOSIER HERITAGE PORT AUTHORITY
COMMENTS
(Continued)

RECEIPTS

A similar comment also appeared in prior Report B55639.

Condition and Context

The Authority did not issue receipts for revenues collected during the engagement period. During testing, there was one receipt the Authority was unable to provide supporting documentation for. The Authority did not properly use the prescribed Receipt Form 352 during the engagement period.

Criteria

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

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B55639.

Condition and Context

The Authority had the following errors reported on the Annual Financial Reports as listed below:

- Technology Oversight Board fund beginning balances were understated by \$218,130 and overstated by \$165,014 in 2020 and 2022, respectively.
- Technology Oversight Board fund disbursements were understated by \$65,769 in 2020.
- M&I Checking fund beginning balances were overstated by \$79,062 and \$122,225 in 2020 and 2022, respectively.
- Additional errors in other funds that totaled in misstatements of \$86,119.

In addition, the Authority's Annual Financial Reports (AFR) for 2021 and 2022 were not filed electronically until March 3, 2022, and May 16, 2023, which were 2 and 76 days late, respectively.

HOOSIER HERITAGE PORT AUTHORITY
COMMENTS
(Continued)

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](#)."

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)

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B55639.

Condition and Context

The Authority had not adopted the accepted minimum level of internal control standards as defined by the Indiana State Board of Accounts. In addition, Authority employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Authority, had not received training over the minimum internal control standards as defined 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."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

The files and governmental unit information that are required to be uploaded monthly include the bank reconciliements, approved Authority Board minutes, and the funds ledger, summarizing total receipts, disbursements, and balances by fund.

Annual upload requirements include the year-end bank statement, year-end outstanding check list, year-end investments, detail of receipt activity, detail of disbursement activity, current year salary ordinance, and an annual vendor history report.

HOOSIER HERITAGE PORT AUTHORITY
COMMENTS
(Continued)

As of March 21, 2024, the Authority had not uploaded any of the files required for the monthly and annual engagement uploads to Indiana Gateway for Government Units financial reporting system for the calendar year 2020, 2021, 2022, and 2023, nor for the months of January and February of 2024.

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)

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)

CAPITAL ASSETS

The same comment also appeared in prior Report B55639.

Condition and Context

The Authority did not have a complete detailed listing of all capital assets which reflected each acquisition value. As of December 31, 2023, the Authority reported \$7,000,000 in land that could not be verified. The Authority also did not present a written capital asset policy for review. In addition, a physical inventory of capital assets was not performed at least once every two years.

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)

SUPPORTING DOCUMENTATION

Condition and Context

During the engagement, we identified numerous instances where the Authority did not provide proper documentation. The following items were not provided for review:

- An employee contract for 2021.
- Three out of ten pay stubs tested.
- Record of time worked for 2020 and 2021.

HOOSIER HERITAGE PORT AUTHORITY
COMMENTS
(Continued)

Criteria

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

RECORD OF HOURS WORKED

Condition and Context

Documentation of the hours worked by the Executive Director during the engagement period was not provided.

Criteria

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . .

(2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

ERRORS ON CLAIMS

Condition and Context

Of the 20 disbursements selected for testing, 2 were not supported by an invoice, receipt, or any other information to support the disbursements. The 2 disbursements were made to the U.S. Department of the Treasury.

For 1 of the 20 disbursements tested, the check image paid did not match the amount posted to the ledger for a difference of \$445.

HOOSIER HERITAGE PORT AUTHORITY
COMMENTS
(Continued)

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

PRESCRIBED FORMS

Condition and Context

The Authority did not properly use the following prescribed forms:

- Claims Form 354 for disbursements during the engagement period.
- Ledger of Receipts, Disbursements and Balances (Form 358).
- Ledger of Appropriations, Encumbrances, Disbursements and Balances (Form 359).

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

HOOSIER HERITAGE PORT AUTHORITY
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
Technology Oversight Board	\$ 218,130	\$ 55,843	\$ 65,769	\$ 208,204	\$ -	\$ 9,816	\$ 198,388
M&I Checking	103,715	553,523	579,685	77,553	183,347	138,383	122,517
M&I Saving	14,073	7	-	14,080	5	-	14,085
Totals	\$ 335,918	\$ 609,373	\$ 645,454	\$ 299,837	\$ 183,352	\$ 148,199	\$ 334,990

HOOSIER HERITAGE PORT AUTHORITY
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
Technology Oversight Board	\$ 198,388	\$ -	\$ 36	\$ 198,352	\$ -	\$ 63	\$ 198,289
M&I Checking	122,517	85,834	50,404	157,947	57,846	77,008	138,785
M&I Saving	<u>14,085</u>	<u>4</u>	<u>-</u>	<u>14,089</u>	<u>211</u>	<u>-</u>	<u>14,300</u>
Totals	<u>\$ 334,990</u>	<u>\$ 85,838</u>	<u>\$ 50,440</u>	<u>\$ 370,388</u>	<u>\$ 58,057</u>	<u>\$ 77,071</u>	<u>\$ 351,374</u>