

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

REVIEW REPORT

OF

PORTS OF INDIANA

STATE OF INDIANA

January 1, 2013 to December 31, 2014



**FILED**  
12/18/2015



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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Executive Officer	Richard Cooper	01-01-13 to 12-31-15
Chairman of the Commission	Kenneth Kaczmarek	07-01-12 to 07-01-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE PORTS OF INDIANA

We performed procedures on the records of the Ports of Indiana for the period January 1, 2013 to December 31, 2014, in accordance with Indiana Code 8-10-1-22. We performed procedures to identify areas of noncompliance with the State's Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable state laws and policies. We also performed procedures to identify internal control deficiencies in processing financial transactions. The financial statements for the Ports of Indiana are audited by an outside CPA firm, under the direction of the State Examiner, and can be located on our website, [www.sboa.in.gov](http://www.sboa.in.gov).

Compliance procedures to ensure compliance with the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies and applicable state laws and policies, were not designed to opine on compliance or financial activity of the Agency. Additionally, since these procedures are not being utilized to support a financial opinion, the procedures performed to identify internal control deficiencies also were not conducted to opine on the financial activity of the agency. Therefore, we did not follow Generally Accepted Auditing Standards, Government Auditing Standards, or OMB Circular A-133 when completing these procedures.

Our procedures are conducted on a test basis and do not provide absolute assurance that no additional issues exist in these areas. Our procedures are evaluated each year and conducted based on risks that we identify at the agencies. During this current review period, procedures were conducted on receipts, vendor disbursements, payroll disbursements, capital asset activity, and SDO (Special Disbursing Officer) activity. The procedures and findings are summarized in the *Procedures and Findings* Section. Some issues are identified during the course of the review that do not rise to the level of a written comment but are discussed with agency officials as possible areas for improvement. Those issues are not communicated in this report.

This communication is intended solely for the information and use of Agency's management and others within the agency, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

June 29, 2015

# **PROCEDURES AND FINDINGS**

## **RECEIPTS**

### *Receipt Procedures*

We gained an understanding of the process from collection of receipt to posting in the financial records, identified key controls and tested a sample of receipts for those key controls. Additionally, we reviewed a sample of receipts, for compliance with key compliance areas for receipts, from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies.

### *Receipt Findings*

#### **Cash Book**

The Cash Book maintained by the Ports of Indiana consists of a series of separate daily spreadsheets. In a test of 25 days, 3 days' spreadsheets were not provided for review. Additionally, the Cash Book was not balanced daily to show funds on hand at the close of each business day.

Indiana Code 5-13-5-1(a) states:

"Every public official who receives or distributes public funds shall:

- (1) keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cash book daily to show funds on hand at the close of the day."

#### **Reconciliation Of Accounting Subsystem**

The Ports of Indiana does not fully reconcile their Klein billing subsystem to the State's Encompass accounting system, which is the book of record. A monthly reconciliation between accounts receivable in both systems are prepared and approved; however, no formal periodic reconciliation of Port revenue in Klein to Port revenue in Encompass is documented.

System controls are in effect on the ENCOMPASS financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained. At all times, the agency's manual and subsidiary ledgers should reconcile with ENCOMPASS. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview--General Guidelines and Policies, Section IV)

## **VENDOR DISBURSEMENTS**

### *Vendor Disbursement Procedures*

We performed sample testing on credit card disbursements, travel card disbursements, contract disbursements, and general disbursements for compliance with key compliance areas for disbursements from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, as well as compliance with the agency's policies. Additionally, we reviewed late penalty charges paid by the quasi agency.

# **PROCEDURES AND FINDINGS**

*(Continued)*

## *Vendor Disbursement Findings*

### ***Credit Card Expenses***

Per the Ports of Indiana policy, all credit card charges are to be included on expense statements supported by receipts and the expense statements should be approved by management prior to payment. twelve of the twenty-seven monthly employee credit card statements tested had charges not supported by a receipt. Charges on 6 of the twenty-seven statements tested could not be traced to a management approved expense report provided for review.

Additionally, from our inspection of credit card statements, we found four statements with charges for the purchase of computers. Per the Ports Administrative Policy and Procedures Manual, employees should never purchase computers or other items that require a purchase order with Commission issued credit cards.

The Ports of Indiana shall reimburse employees for reasonable, ordinary and customary expenses incurred by employees when conducting official business. Employees shall submit an Expense Statement, supported by receipts, as soon as is practically possible after incurring any expense, for approval by his/her supervisor prior to reimbursement. (Ports of Indiana Administrative Policy and Procedures Manual, p20)

The Accounting Department will use the Port of Indiana Organizational Chart as the authorization guidelines. Any reimbursement request without the appropriate authorization will be forwarded to the appropriate manager for signature. (Ports of Indiana Administrative Policy and Procedures Manual, p22)

Only Commission expenses are to be charged on Commission-issued credit cards. Employees may be reprimanded for violating this policy and cancellation of the credit card will be considered. A receipt for each charge must be attached to the expense reimbursement form and proper justification of Ports of Indiana business purpose must be documented. Employees should never purchase computers, office furniture, computer software or other items that require a purchase order. This activity prohibits the Indiana Ports Commission from taking advantage of vendor discounts or favorable payment terms. If an employee needs a quick turnaround on a check or credit references, please contact the Accounts Payable Department for instruction. (Ports of Indiana Administrative Policy and Procedures Manual, p23)

## **PAYROLL DISBURSEMENTS**

### *Payroll Procedures*

We determined the process and controls in place for payroll disbursements. We performed sample testing on payroll disbursements, ensuring that payroll disbursements had proper approval. We additionally reviewed for any payroll activity that was not being appropriately reported as income to an employee. Lastly, we conducted a review of overtime and comp time.

### *Payroll Findings*

Our procedures did not identify issues that warrant written comment at this time.

# **PROCEDURES AND FINDINGS**

*(Continued)*

## **SDO (SPECIAL DISBURSING OFFICER)**

### *SDO (Special Disbursing Officer) Procedures*

We conducted procedures to determine if an SDO was still in use. If SDO was still in use, we determined if the transactions were proper and that the account is being properly reconciled to the financial system and to the bank account.

### *SDO (Special Disbursing Officer) Findings*

The Ports of Indiana has closed their SDO Account. No further procedures are necessary.

## **CAPITAL ASSETS**

### *Capital Asset Procedures*

We conducted procedures to gain an understanding of the capital asset activity. We verified that there was a capital asset inventory in place and up to date. Additionally, we tested a sample capital asset additions and deletions to ensure proper accounting and compliance with key compliance areas for capital assets from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, as well as compliance with the agencies' own policies.

### *Capital Asset Findings*

Our procedures did not identify any issues that warrant written comment at this time.

## **AGENCY SPECIFIC TESTING**

### *Ports of Indiana Agency Specific Procedures*

We did conduct two agency specific procedures for the Ports of Indiana. The first procedure was to review lease contracts. We completed a procedure to ensure that lease revenue agreed to the lease agreement and that the lease agreement was properly signed. The second procedure was to review compliance with contract bidding laws. We completed a procedure to ensure that projects over \$150,000 went through the proper bidding procedures.

### *Ports of Indiana Agency Specific Findings*

Our procedures did not identify any issues that warrant written comment at this time.



## PORTS OF INDIANA

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July 7, 2015

Indiana State Board of Accounts  
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Re: OFFICIAL RESPONSE

The Ports of Indiana initiates this correspondence in response to comments associated with the recent review for the period January 1, 2013 to December 31, 2014. We wish to express our appreciation to Ms. Deborah Goodchild and Ms. Mei Liu for the diligent and professional manner in which they conducted their review. Further, we appreciate the opportunity to discuss those comments in the conference held June 29, 2015 and the opportunity to express our commitment to full compliance through a written response.

### Cash Book

We recognize that while we exercise the prescribed controls over cash receipts with daily documentation, we have not maintained a 'single' document detailing all receipts and deposits on a daily basis. Beginning July 1, 2015 we implemented a document similar to the one prescribed in the State Of Indiana Accounting Manual. This document will be maintained on a daily basis, by the Chief Financial Officer and presented to the Chief Executive Officer for review with the monthly bank reconciliation.

### Reconciliation of Accounting Subsystem

Although revenue, as recorded in our Klein sub-system, is tested for completeness through our external audit process, we recognize that no formal reconciliation is otherwise documented. We will implement a formal reconciliation for the period ended June 30, 2015 and include it as part of our monthly processes going forward.

### Credit Card Expenses

We recognize the importance of substantiating the business purpose of all organization credit card purchases and ensuring that those purchases are properly approved. To that end, we will enhance our current practices and update any policies that may be inconsistent with current practices. The specific steps we intend to implement to enhance our current processes include:

1. The staff responsible for reconciling receipts to credit card statements has changed the process to note the date of the specific expense report that a receipt is submitted on, in the tracking spreadsheet. This enhances the current process of noting with an "X" that a receipt was submitted, on the tracking spreadsheet.
2. The staff responsible for reconciling receipts to credit card statements will ensure that those charges where a receipt is not obtained (e.g. parking meters, toll roads) are presented on an expense report and properly noted that no receipt was issued.
3. The Chief Financial Officer will periodically review the receipt tracking documents to ensure the staff is receiving the required support.
4. Changes to the Administrative Policy and Procedure Manual will be presented to the Commission through the resolution process.

Again, we wish to express our gratitude for the opportunity to demonstrate that we take these matters extremely seriously. We look forward to future reviews and the opportunity to demonstrate full compliance.

Sincerely,

Richard Cooper  
Chief Executive Officer

Laurie Peckham  
Chief Financial Officer