

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PORTER COUNTY AIRPORT AUTHORITY

PORTER COUNTY, INDIANA

January 1, 2012 to December 31, 2014



FILED

09/08/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Examination Results and Comments:	
Internal Controls over Financial Transactions and Reporting	4-5
Capital Assets.....	5
Exit Conference.....	6

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Director/Treasurer	Kyle J. Kuebler	07-01-11 to 06-30-18
President of the Airport Authority Board	Paul R. Chael	07-01-11 to 06-30-18



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TO: THE OFFICIALS OF THE PORTER COUNTY AIRPORT AUTHORITY, PORTER COUNTY, INDIANA

This report is supplemental to our examination report of the Porter County Airport Authority (Authority), for the period from January 1, 2012 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Authority. It should be read in conjunction with our Financial Statements Examination Report of the Authority, which provides our opinion 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 Examination 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 Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

August 28, 2017

PORTER COUNTY AIRPORT AUTHORITY
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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 receipts and cash and investment balances. The failure to establish these controls could have enabled material misstatements to occur and remain undetected.

One employee prepared the bank reconcilements without a proper system of oversight or review.

Official receipts were not signed by the issuer. The computer software identified the user who recorded the receipts; however, the software allowed the user name to be altered.

All financial transactions were recorded on an Excel spreadsheet, which could have been altered and would not have provided an audit trail of changes or corrections to the original transactions.

A similar comment appeared in prior Reports B37058 and B41951 entitled "Internal Controls over Financial Transactions and Reporting" and "Prescribed Forms."

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. . . .

PORTER COUNTY AIRPORT AUTHORITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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

The Authority did not properly maintain a complete inventory of capital assets. Upon purchase, the costs of the capital assets were added to capital asset accounts for land, land improvements, etc., in the general ledger; however, records providing historical costs for some of the Authority's capital assets were not available, and records classifying and summarizing capital assets were incomplete. Deletions or disposals of capital assets were not recorded.

In addition, the Authority had not established a capital asset policy which would have set a dollar amount as a threshold to be used in determining which items would have been recorded and capitalized.

A similar comment appeared in prior Reports B37058 and B41951 entitled "Internal Controls over Financial Transactions and Reporting."

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)

The governing body of a unit must have a written policy concerning capital assets that includes at a minimum, the threshold at which an item is considered a capital asset. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

PORTER COUNTY AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2017, with Kyle J. Kuebler, Airport Director/Treasurer, and Mark Taylor, Airport Authority Board member.