

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JASPER COUNTY AIRPORT AUTHORITY

JASPER COUNTY, INDIANA

January 1, 2013 to December 31, 2017



FILED
07/20/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Manager	Brad Cozza (Vacant) Ray Seif	05-01-13 to 07-01-16 07-02-16 to 07-31-16 08-01-16 to 12-31-18
Secretary/Treasurer	W. Craig Jackson	01-01-13 to 12-31-18
President of the Board	Tim Curless David Pettet	01-01-13 to 12-31-17 01-01-17 to 12-31-18



STATE OF INDIANA
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TO: THE OFFICIALS OF THE JASPER COUNTY AIRPORT AUTHORITY, JASPER COUNTY, INDIANA

This report is supplemental to our audit report of the Jasper County Airport Authority (Airport Authority), for the period from January 1, 2013 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Airport Authority. It should be read in conjunction with our Financial Statements Audit Report of the Airport Authority, which provides our opinions on the Airport 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, was not verified for accuracy.

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

June 19, 2018

JASPER COUNTY AIRPORT AUTHORITY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There were deficiencies in the internal control system of the Airport Authority related to financial transactions and reporting. The Airport Authority had not implemented adequate segregation of duties as they had not separated incompatible activities related to receipts, payroll disbursements, and financial reporting.

Receipts

One employee issued receipts, prepared the deposit, recorded the receipts, and made the deposit. Although the Secretary/Treasurer reviewed receipts when reconciling the monthly bank statement, there was no documentation that receipts were verified to the fund level.

Payroll Disbursements

The Airport Authority had not implemented a segregation of duties within the payroll process. One employee was responsible for all aspects of the payroll process without an oversight or review process.

Financial Reporting

An accounting firm prepared amounts for inclusion in the Indiana Gateway for Government Units financial reporting system (Gateway), which was the source of the Annual Financial Report and financial statements, using the unit's ledgers provided by the Airport Manager. The Secretary/Treasurer input the amounts prepared by the accounting firm into Gateway. The Manager reviewed the information that was entered into Gateway by the Secretary/Treasurer; however, there was no evidence of that review.

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. . . ."

Jasper County Airport
2326 West Clark Street
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June 20, 2018

State Board of Accounts
302 Washington St., Room E418
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Having experienced its first standard State Board of Accounts (SBOA) audit since inception, the Jasper County Airport Authority (JCAA) welcomed the opportunity to review and potentially improve current policies and procedures.

JCAA employs one (1) full time employee and has five (5) appointed board members. The audit revealed deficiencies attributable to having a single employee responsible for receiving and posting payments as well as disbursing payroll. The deficiencies could partially be remedied by hiring another employee however the added payroll expense is not currently justifiable. In lieu of hiring another employee, JCAA has opted to modify internal controls already in place in an effort to address the deficiencies without increasing payroll expenditures. For the sake of transparency, the following summarizes JCAA's internal controls modifications:

Receipts Deficiency- One employee issues receipts, prepares deposits, records receipts, and makes deposits.

Current Procedure: All cash or check payments received require entry into a receipt book as well as entry into QuickBooks (QB) software. Those payments are deposited into the bank and the receipt is saved in the airport's monthly file. Once the deposit is complete, the deposit is recorded in QB and written into a paper check register journal. All of those records are available for review and are part of the airport's recordkeeping. All credit card payments received are immediately entered into and processed by QB, which also generates a receipt.

Although one employee, the airport manager, is responsible for this process, certain checks and balances are built in. The airport manager and secretary/treasurer (board member) go over each monthly bank record to reconcile the bank account with QB software. Both the airport manager and secretary/treasurer go over each debit and credit on the bank statement during reconciliation.

Potential Procedural Modification: In an effort to safeguard public assets and provide a level of protection and documentation for airport management and the public, JCAA has explored adding additional security cameras within the terminal building as well throughout various points on the airport. Although cameras don't completely eliminate the risk, they may provide a cost-effective way to address the deficiency by allowing the employee's actions to be reviewed without having to hire another employee.

Payroll Disbursement- One employee is responsible for all aspects of payroll.

Current Procedure: The airport manager keeps track of airport related activity performed by board members so board members can be paid a per diem based on their participation in the previous month's activities. The airport manager also has a timesheet that he uses to keep track of his hours and comp time (time worked during off hours such as nights and weekends that is then used to allow for time off during business hours). QB keeps track of the airport

"A mile of highway will take you a mile, but a mile of runway will take you anywhere." -Author Unknown

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manager's vacation hours. If the airport manager wants to take a vacation or use comp time, he emails the board members. At the end of the year, any unused comp or vacation time is reviewed by the board. A board vote approving carrying forward unused hours is required.

Although the airport manager enters the payroll information into QB and prints the payroll checks, two "check signer" board members are required to sign each check. The airport manager does not have any check signing authority. All checks are also included and reviewed on the monthly bank reconciliation that the airport manager and secretary/treasurer go over. The check stub and a claim voucher are also included in the airport's monthly paper file and are available for review at any time. The airport board also reviews a summary of all of the claims and approves the claims monthly at the board meeting.

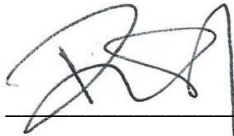
Procedural Modification: The airport manager will email per diem dates to all the board members for approval prior to checks being drawn with a positive response being required from each board member with per diem activity. The airport manager will print the manager's weekly timesheets for board member approval at each board meeting.

Financial Reporting- One employee enters annual financial report (AFR) information into Gateway

Current Procedure: The airport manager and secretary treasurer work closely to prepare the AFR with the help of the airport's accounting firm. The airport manager helps the secretary/treasurer in completing and entering the AFR into Gateway and both the airport manager and secretary/treasurer review the AFR information before the secretary/treasurer submits the information.

Procedural Modification: Although the airport manager and secretary/treasurer work hand-in-hand to prepare the AFR, a greater effort will be made to document the entry/review/submission process by both the airport manager and secretary/treasurer.

JCAA is committed to being fiscally responsible and transparent. We thank the SBOA for illuminating these minor deficiencies which would easily be addressed if JCAA had multiple employees. JCAA will make every effort to continuously improve internal processes to allow for the greatest segregation of duties possible without dramatically increasing expenditures.

Signed: 
Title: Jasper County Airport Manager
Date: June 20, 2018

JASPER COUNTY AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2018, with Ray Seif, Airport Manager; W. Craig Jackson, Secretary/Treasurer; and David Pettet, President of the Board.