

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, 2015 to December 31, 2015



FILED
10/24/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cathy Hamilton	01-01-15 to 12-31-18
President of the Airport Authority Board	Alan Dunn	01-01-15 to 12-31-18



STATE OF INDIANA
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 our audit report of the Frankfort Clinton County Airport Authority (Authority), for the period from January 1, 2015 to December 31, 2015. 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 our Financial Statement Audit Report of the Authority, which provides our opinion on the Authority's financial statement. 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.

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

September 12, 2018

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS

A similar comment also appeared in prior Report B45237, entitled *LOAN REPAYMENT*.

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 Frankfort 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, 2015.

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)

BANK ACCOUNT RECONCILIATIONS

The Authority did not perform or adequately document its monthly bank reconciliation for three of the year's twelve months. For all months during the audit period, reconciliations were improperly reconciled to the manual check register instead of to the funds ledger that is the support for the financial statement.

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."

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There were deficiencies in the internal control system for the Authority related to financial transactions and reporting. The Authority had not separated incompatible activities related to cash and investments and financial reporting. The failure to establish these controls could enable material misstatements to occur and remain undetected.

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

Cash and Investments

The Authority had not established controls to ensure that reconciled cash and investment balances agreed to the cash and investment balances reported in the financial statement. The Treasurer completed monthly bank reconciliements without any documented oversight or review procedures in place to ensure their accuracy.

Financial Reporting

The Treasurer entered the Authority's financial information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Reports and financial statement; however, the process was completed without a documented oversight, review, approval, or other compensating control to ensure that information submitted was correct.

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. . . ."

FRANKFORT CLINTON COUNTY AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2018, with Alan Dunn, President of the Airport Authority Board; Mike Nichols, Airport Authority Board member; and Cathy Hamilton, Treasurer.