

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTH CENTRAL REGIONAL AIRPORT AUTHORITY

CLARK COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
08/27/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2018-001	
Airport Improvement Program - Special Tests and Provisions - Wage Rate Requirements	4-5
Finding 2018-002	
Airport Improvement Program - Procurement.....	5-7
Corrective Action Plan.....	8-9
Audit Results and Comments:	
Adoption of Internal Control Standards and Training	10
Certification on Internal Control Standards	10
Exit Conference.....	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Manager	John Secor	01-01-18 to 12-31-19
Secretary/Treasurer	J. Greg Dietz	01-01-18 to 12-31-19
President of the Airport Authority Board	James E. Baker	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE SOUTH CENTRAL REGIONAL
AIRPORT AUTHORITY, CLARK COUNTY, INDIANA

This report is supplemental to our audit report of the South Central Regional Airport Authority (Authority), for the period from January 1, 2018 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Authority. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Authority, which provides our opinions on the Authority's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

August 8, 2019

SOUTH CENTRAL REGIONAL AIRPORT AUTHORITY
FEDERAL FINDINGS

FINDING 2018-001

Subject: Airport Improvement Program - Special Tests and Provisions - Wage Rate Requirements

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Numbers and Years (or Other Identifying Numbers): 3-18-0041-025-2012,
3-18-0041-027-2014,
3-18-0041-028-2015,
3-18-0041-029-2016,
3-18-0041-030-2017

Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-005.

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the Authority in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Inquiry of the Office Manager indicated that weekly certified payrolls from the construction companies were being submitted to the Grant Administrator, but no internal control was in place at the Authority to ensure compliance with the compliance requirement during the audit period.

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

SOUTH CENTRAL REGIONAL AIRPORT AUTHORITY
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the Authority at risk of noncompliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Authority's management establish a system of internal controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2018-002

Subject: Airport Improvement Program - Procurement

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Numbers and Years (or Other Identifying Numbers): 3-18-0041-025-2012,
3-18-0041-027-2014,
3-18-0041-028-2015,
3-18-0041-029-2016,
3-18-0041-030-2017

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-003.

Condition and Context

An effective internal control system, which would include segregation of duties, was not in place at the Authority in order to ensure compliance with requirements related to the grant agreement and the procurement. The Authority did not have a purchasing policy addressing micro-purchases, small purchases, and other purchases, nor did it have written standards covering conflicts of interest governing performance of its employees engaged in the selection, award, and administration of contracts.

Noncompliance with the program requirements and lack of internal controls were systemic issues, which occurred throughout the audit period.

SOUTH CENTRAL REGIONAL AIRPORT AUTHORITY
FEDERAL FINDINGS
(Continued)

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.318(c)(1) states:

"The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity."

2 CFR 200.319(c) states in part: "The non-Federal entity must have written procedures for procurement transactions. . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

SOUTH CENTRAL REGIONAL AIRPORT AUTHORITY
FEDERAL FINDINGS
(Continued)

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the Authority.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Authority's management establish a system of internal controls related to the grant agreement and the requirements above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: **James E. Baker, President, SCRAA Board of Aviation Commissioners**
Contact Phone Number: **502-523-6444**

Views of Responsible Official: ***We concur with the finding***

Description of Corrective Action Plan: ***Certified payrolls to be submitted to sponsor (SCRAA) by consultant (Woolpert) as requested and agreed upon, enabling sponsor to make sure all subcontractors paid under any/all Federal Grants are paying workers at, or above, federally required pay rate.***

Anticipated Completion Date: **August 31, 2019**

FINDING 2018-002

Contact Person Responsible for Corrective Action: **James E. Baker, President, SCRAA Board of Aviation Commissioners**
Contact Phone Number: **502-523-6444**

Views of Responsible Official: ***We concur with the finding***

Description of Corrective Action Plan:
A.) The South Central Regional Airport Authority, in receiving direct federal awards will use procurement procedures that conform to applicable federal law and regulations and standards identified in 49 CFR 18.36, the A-102 Common Rule or OMB Circular A-110 (2 CFR part 215); B.) The South Central Regional Airport Authority will use procurement procedures that conform to applicable federal law and regulations and standards identified in 2 CFR 200.318 (General Procurement Standards) and 2 CFR 200.320 (Methods of Procurement to be Followed), as they apply to conflict(s) of interest;

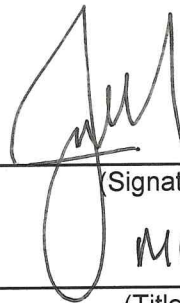
6003 Propeller Lane
Sellersburg, Indiana 47172
Phone: 812.246.7460
scraa@flyjvy.com

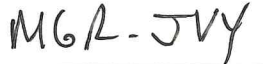


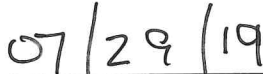


C.) The South Central Regional Airport Authority will use procurement procedures that conform to applicable federal law and regulations and standards identified in 2 CFR 200.67 and 48 CFR subpart 2.1, as they apply to Micro-purchases.

Anticipated Completion Date: **August 31, 2019**



(Signature)


(Title)


(Date)

6003 Propeller Lane
Sellersburg, Indiana 47172
Phone: 812.246.7460
scraa@flyjvy.com



SOUTH CENTRAL REGIONAL AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS AND TRAINING

The same comment also appeared in prior Report B51209.

Condition and Context

The Authority did not present any evidence for audit that they had adopted the internal control standards and procedures. In addition, none of the required personnel had received training on the internal control standards and procedures.

Criteria

Indiana 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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Authority's management incorrectly certified in the Indiana Gateway for Government Units financial reporting system that the Authority had adopted internal control standards.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. 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](#)."

SOUTH CENTRAL REGIONAL AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2019, with John Secor, Airport Manager; Jessica May, Office Manager; and James E. Baker, President of the Airport Authority Board.