

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
DELAWARE COUNTY AIRPORT AUTHORITY
DELAWARE COUNTY, INDIANA
January 1, 2018 to December 31, 2018



FILED
09/10/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Manager	Tim Baty	01-01-18 to 12-31-19
President of the Airport Authority Board	Dr. Kurt Alexander	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 DELAWARE COUNTY AIRPORT
AUTHORITY, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the Delaware County 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 22, 2019

DELAWARE COUNTY AIRPORT AUTHORITY
FEDERAL FINDINGS

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition and Context

There were deficiencies in the internal control system of the Authority related to financial transactions and reporting.

1. The Authority had not separated incompatible activities related to the preparation and submission of its Annual Financial Report (AFR) in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Authority's financial statement. The Airport Manager entered and submitted the AFR into Gateway with no documented review or oversight of the information entered. In addition, differences in the beginning balances, receipts, and disbursements between the Authority's accounting system and AFR were identified. Adjustments to the financial statement were proposed, approved by management, and made to the financial statement.
2. The Authority used two outside vendors to process payroll during the audit period. Payroll reports were generated, reviewed, and approved by the Airport Manager; however, evidence was not presented for audit to document the review and approval of payroll.
3. The Authority did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Airport Manager entered and submitted the grant awards into Gateway with no documented review or oversight of the grant award information entered.

Criteria

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

DELAWARE COUNTY AIRPORT AUTHORITY
FEDERAL FINDINGS
(Continued)

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](#)."

Cause

Management of the Authority had not established a proper system of internal control.

Effect

The failure to establish a system of internal controls enabled misstatements or irregularities to remain undetected.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommend that the Authority's management design or implement a system of internal controls related to financial transactions and reporting.

Views of Responsible Officials

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

FINDING 2018-002

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 Number and Year (or Other Identifying Number): AIP 3-18-0059-031-2017

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 2017-002.

Condition

An effective internal control system 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.

The Authority did not review the certified payrolls for construction contracts for construction projects. The certified payrolls were completed by a contracted vendor with no review by the Authority.

DELAWARE COUNTY AIRPORT AUTHORITY
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

2 CFR 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 award 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 to ensure compliance with the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Effect

The failure to establish an effective internal control system placed the Authority at risk of non-compliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Authority's management establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

Views of Responsible Officials

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



Delaware County Regional Airport

Tim Baty, Manager

tbaty@muncie-airport.com

Office:765-747-5690

CORRECTIVE ACTION PLAN

FINDING 2018-001

Subject: Financial Transactions and Reporting

Contact Person Responsible for Corrective Action:Tim Baty

Contact Phone Number:765-747-5690

Views of Responsible Official:

1 As we stated in the discussions the current administration started in late 2016 and have noticed this being an issue each year while entering gateway numbers with no answers on the question from anyone who could help. We initially asked for a state board of accounts in 2017 to audit past administration and no response. We also just completed a SBOA audit for the period of 2014-2015-2016-2017 that closed in February of 2019 without this finding so we were unable to correct this at that time.

2. It was the view of management in 2018 that the manager entering payroll into payroll system that it was being properly reviewed. After the Manager would approve and enter payroll into third party vendor, a payroll report was printed and entered into financial software by contracted accountant. Moving forward and keeping with internal controls after the previous audit findings, the payroll is being separately reviewed by manager and stamped.

Description of Corrective Action Plan:

We are looking for help to adjust the gateway numbers moving forward to correctly enter the numbers, we will verify the numbers each year with outside contract accountant and management. Moving forward and keeping with internal controls after the previous audit findings, the payroll is being separately reviewed by manager and stamped.

Estimated Completion date: 8/22/2019

FINDING 2018-002

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

Federal Agency: U.S. Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number and Year (or Other Identifying Number): AIP 3-18-0059-031-2017

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 2017-002.

Condition and Context

An effective internal control system 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.

The Authority is not reviewing the certified payrolls for construction contracts for construction projects. The certified payrolls are being completed by a contracted vendor with no review by the Authority.

Contact Person Responsible for Corrective Action: Tim Baty

Contact Phone Number: 765-747-5690

Views of Responsible Official: This was a repeat finding after the 2014-2015-2016-2017 Audit that was completed and closed in February of 2019. After this finding the Airport Authority amended the Fiscal Policy to correct this finding. This finding was completed in February of 2019.

Planned Corrective Action: A written policy with internal control will be established to provide redundant reviews of certified payroll submitted with monthly progress estimates on projects funded under the AIP Grant Program. Contractors will be required to submit monthly certified payroll which along with all progress estimates. Payroll will be verified by the airport consultant as well as the airport staff prior to issuance of any payments.

This was completed on February 11, 2019



(Signature)

Airport Manager

(Title)

8.22.19

(Date)

DELAWARE COUNTY AIRPORT AUTHORITY
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

Authority employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Authority, had not received training over the minimum internal control standards as defined by the Indiana State Board of Accounts.

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The Airport Manager incorrectly certified on the Indiana Gateway for Governmental Units financial reporting system that the Authority had provided personnel with training over the minimum internal controls standards when they had not received training.

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](#)."

DELAWARE COUNTY AIRPORT AUTHORITY
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2019, with Valerie Craig, Administrative Assistant, and Tim Baty, Airport Manager.