

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

FEDERAL COMPLIANCE AUDIT REPORT
OF
TERRE HAUTE REGIONAL AIRPORT AUTHORITY
VIGO COUNTY, INDIANA
January 1, 2019 to December 31, 2019



FILED
09/10/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Jeffery Hauser	01-01-19 to 12-31-20
Director of Operations	Kara McIntosh	01-01-19 to 12-31-20
Finance Manager	Peggy Arnold Kelsey Veatch	01-01-19 to 03-31-19 04-01-19 to 12-31-20
President of the Board of Directors	Rachel Leslie	01-01-19 to 12-31-20



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE TERRE HAUTE REGIONAL
AIRPORT AUTHORITY, VIGO COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Terre Haute Regional Airport Authority (Authority), for the year ended December 31, 2019, and the related notes to the financial statement, which collectively comprise the Authority's financial statement and have issued our report thereon dated August 13, 2020, wherein we noted the Authority followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

August 13, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE TERRE HAUTE REGIONAL AIRPORT AUTHORITY, VIGO COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Terre Haute Regional Airport Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2019. The Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001. Our opinion on the major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be material weaknesses.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statement. We issued our report thereon dated August 13, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

August 13, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Authority. The schedule and notes are presented as intended by the Authority.

TERRE HAUTE INTERNATIONAL AIRPORT AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Transportation</u>					
Airport Improvement Program	DIRECT	20.106			
AIP 45			3-18-0082-045	\$ -	\$ 483,505
AIP 46			3-18-0082-046	-	345,867
AIP 47			3-18-0082-047	-	429,045
				<u>-</u>	<u>1,258,417</u>
Total - Airport Improvement				-	1,258,417
				<u>-</u>	<u>1,258,417</u>
Total - Department of Transportation				-	1,258,417
				<u>-</u>	<u>1,258,417</u>
Total federal awards expended				<u>\$ -</u>	<u>\$ 1,258,417</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TERRE HAUTE REGIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Authority, it is not intended to and does not present the financial position of the Authority.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

Note 2. Indirect Cost Rate

The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TERRE HAUTE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
20.106	Airport Improvement Program	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-001

Subject: Airport Improvement Program - Cash Management

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Numbers and Years (or Other Identifying Numbers): 3-18-0082-045, 3-18-0082-046, 3-18-0082-047

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Other Matters

TERRE HAUTE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The Authority had not established an effective internal control system in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The eight Airport Improvement Program checks tested showed that the Authority did not incur the expense prior to requesting reimbursement.

The lack of controls and noncompliance were systemic issues, 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 the 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). . . ."

2 CFR 200.305(b) states:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. See also § 200.302 Financial management paragraph (b)(6). Except as noted elsewhere in this part, Federal agencies must require recipients to use only OMB-approved standard government wide information collection requests to request payment."

Cause

The Authority's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Cash Management compliance requirement.

Effect

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

TERRE HAUTE REGIONAL AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Authority's management establish a system of internal controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the Authority. The documents are presented as intended by the Authority.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-001

Fiscal year in which the finding initially occurred: **2016**
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **None**
Contact Person Responsible for Corrective Action: **Kelsey Veatch**
Contact Phone Number: **812-877-2524**

Status of Audit Finding:

Completed by July 2019

Monthly bank reconciliations are prepared by the Finance Manager and then are reviewed and approved by the board of directors at monthly board meetings.

Checks are initially collected and reviewed by the Director of Operations before being receipted into Keystone (accounting software) by the Finance Manager. Deposits receipted into Keystone by the Finance Manager are then reviewed and deposited in the bank by a member of the Public Safety Department. All deposit slips and receipt transaction lists generated from Keystone are reviewed and signed by both parties.

Information submitted into Gateway is reviewed and approved by the Executive Director prior to submission made by the Finance Manager.

The Airport Authority's management adheres to Indiana's Code 5-11-1-27(e) which defines the acceptable minimum level of internal control standards. Additionally, the Airport Authority's management ensures that personnel receive training concerning the internal controls standards and procedures.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-002

Fiscal year in which the finding initially occurred: **2017**

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **None**

Contact Person Responsible for Corrective Action: **Kelsey Veatch**

Contact Phone Number: **812-877-2524**

Status of Audit Finding:

The airport administration has implemented new control procedures for reporting of the Schedule of Expenditures of Federal Awards (SEFA). Corrective action has been taken.

Date of Completion:

July 2019



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-003

Fiscal year in which the finding initially occurred: **2017**

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **Department of Transportation**

Contact Person Responsible for Corrective Action: **Kara McIntosh**

Contact Phone Number: **812-877-2524**

Status of Audit Finding:

The airport administration has implemented new control procedures for procurement, suspension, and debarment. These procedures were in process in 2019 and corrective action was taken in 2020.

Date of Completion:

May 2020



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2018-004

Fiscal year in which the finding initially occurred: **2017**

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: **Department of Transportation**

Contact Person Responsible for Corrective Action: **Kara McIntosh**

Contact Phone Number: **812-877-2524**

Status of Audit Finding:

The airport administration has implemented new control procedures for the wage and rate requirements. Corrective action has been taken.

Date of Completion:

July 2019



CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: **Kelsey Veatch**
Contact Phone Number: **812-877-2524**

Views of Responsible Official: **The Airport Authority Officials agree with the finding.**

Description of Corrective Action Plan: **The airport will establish controls to ensure compliance with the Cash Management compliance requirement. Previously the request for reimbursement was submitted to Delphi by Woolpert (grant administrator) but moving forward the request for reimbursement will be submitted by the Finance Manager. Submission on Delphi will be completed after a check is issued.**

Anticipated Completion Date:

December 31, 2020

OTHER REPORTS

In addition to this report, other reports may have been issued for the Authority. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.