

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

FEDERAL COMPLIANCE AUDIT REPORT  
OF  
DELAWARE COUNTY AIRPORT AUTHORITY  
DELAWARE COUNTY, INDIANA  
January 1, 2019 to December 31, 2019



**FILED**  
10/20/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Airport Manager	Tim Baty	01-01-19 to 12-31-20
Treasurer	Rhonda Small	01-01-19 to 12-31-20
President of the Airport Authority Board	C. Kurt Alexander, M.D.	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 DELAWARE COUNTY AIRPORT  
AUTHORITY, DELAWARE 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 Delaware County 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 October 8, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be material weaknesses.

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*.

***Delaware County Airport Authority's Response to Findings***

The Authority's response to the 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 the financial statement and, accordingly, we express no opinion on it.

***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

October 8, 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 DELAWARE COUNTY AIRPORT AUTHORITY, DELAWARE COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited the Delaware County 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)

**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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 October 8, 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*  
Paul D. Joyce, CPA  
State Examiner

October 8, 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.

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DELAWARE COUNTY 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 Grant	20.106			
Federal Project 31 Southend AIP 3-18-0059-031			AIP 3-18-0059-031-2017	\$ -	\$ 11,762
Federal Project AIP 32 3-18-059-032-2018 Lighting Runway			AIP 3-18-0059-032-2018	-	797,569
Federal Project AIP 30 14/32 North end drainage construction 3-18-0059-030-2016			AIP 3-18-0059-030-2016	-	146,111
				<u>-</u>	<u>955,442</u>
Total - Department of Transportation				-	955,442
Total federal awards expended				<u>\$ -</u>	<u>\$ 955,442</u>

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

DELAWARE COUNTY 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.

DELAWARE COUNTY 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?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no

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**

**FINDING 2019-001**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-001.

*Condition and Context*

There were deficiencies in the internal control system of the Authority related to financial transactions and reporting. The Authority had not separated incompatible activities related to the preparation and submission of its Annual Financial Report in the Indiana Gateway for Government Units financial reporting system, which was the source for the Authority's financial statement. There was no evidence that an oversight, review, or approval process was in place to ensure the accuracy of the information entered.

DELAWARE COUNTY AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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. . . ."

*Cause*

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

*Effect*

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

*Views of Responsible Officials*

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

**FINDING 2019-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-001.

*Condition and Context*

The Authority had not established effective internal controls over the federal award information entered in the Indiana Gateway for Government Units financial reporting system, which was the source of the Authority's Schedule of Expenditures of Federal Awards (SEFA). There was no evidence of an effective internal control that would prevent, or detect and correct, errors prior to submission.

DELAWARE COUNTY AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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. . . ."

*Cause*

Management had not established a system of internal controls to ensure proper reporting of the SEFA.

*Effect*

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA could have occurred and remained undetected.

*Views of Responsible Officials*

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

**Section III - Federal Award Findings and Questioned Costs**

No matters are reportable.

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#### AUDITEE-PREPARED DOCUMENTS

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



# Delaware County Regional Airport

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### FINDING 2018-001

Fiscal year in which the finding initially occurred: 2018

Federal Grantor Agency: Department of Transportation

Contact Person Responsible for Corrective Action: Timothy Baty

Contact Phone Number: 765-747-5690 or 765-729-1078

Status of Audit Finding: Staff and Engineering Firm prepare reports, reviewed by Airport Management/ and Board in Monthly Meetings and entered, effective 2.11.2019 and Revised on 8/12/2019. After getting Airport Authority Approval of Financials for year end, they are entered into gateway with me present by our Book Keeper, Prior to submitting any reports to the Airport Authority at the monthly meeting all financials are reviewed by myself before asking for approval.

Airport Management was not aware that there needed to be another step in the approval process besides having the Airport Authority Sign off on financial statements during their regular monthly Meetings. Other than the Approval and Review Process by Management prior to submitting to Authority for approval.

Moving forward financials will be stamped and signed as approved by management prior to approval by the Authority and prior to being entered into gateway.

### Finding 2018-002

Fiscal year in which the finding initially occurred: 2017

Federal Grantor Agency: Department of Transportation

Contact Person Responsible for Corrective Action: Timothy Baty

Contact Phone Number: 765-747-5690 or 765-729-1078

Status of Audit Finding: As of 8.12.2019 the Engineering firm prepares Pay Requests including tabulations of wages and rates and reviews and approves if accurate, the pay request and payroll are presented to the Authority at a monthly meeting and approved for submission for re-imbursement. The Auditor will review the report. All reports are current as of January 2020 to the best of our knowledge.



## CORRECTIVE ACTION PLAN

**FINDING 2019-001** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Timothy Baty  
Contact Phone Number: 765-747-5690

Views of Responsible Official<sup>[SMJ1]</sup>: We Concur with the finding

### Description of Corrective Action Plan:

The Delaware County Airport Authority concurs with this finding for the 2019 Audit Period, after previous audits of 2014-2017 and then 2018 which were all completed 2014-2017 by an outside SBOA contracted firm and then 2018 by the SBOA we were informed of this. The corrective action plan was submitted after these audits and adopted by the Airport Authority board during its February 19, 2019 meeting and then modified in the August 2019 meeting to comply with recommendations of auditors.

That one person will enter data into gateway, and notify the manager that information has been entered and is ready to be checked and submitted. These correspondences will occur by email and attached to the printed submitted gateway AFR. And filled with the current years financial reports.

Anticipated Completion Date: 10/06/2020



# Delaware County Regional Airport

CORRECTIVE ACTION PLAN

CORRECTIVE ACTION PLAN

**FINDING 2019-002** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Timothy Baty  
Contact Phone Number: 765-747-5690

Views of Responsible Official<sup>[SMJ1]</sup>: We Concur with the finding

Description of Corrective Action Plan:

The Delaware County Airport Authority Concur with the above finding and will adopt a new policy that will outline and increase the checks and balances already in place to certify that the reports entered into Gateway are checked and authorized. The Airport Authority already approves all the financial reports and balances for the end of the year report, and monthly numbers in the regular scheduled meetings, moving forward the Airport Authority Board will continue to review the financials, The Airport Manager will also approve the report as well. The Current System already in place with the actual segregation of duties will continue, the Airport Manager will now print and approve the report entered into Gateway after checking for Accuracy.

Anticipated Completion Date: 10/12/2020

## 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/>.