

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
FEDERAL SINGLE AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2018**

## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
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.....	3-4
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance.....	5-7
Schedule of Expenditures of Federal Awards.....	8-9
Notes to Schedule of Expenditures of Federal Awards.....	10
Schedule of Findings and Questioned Costs.....	11-12
Summary Schedule of Prior Year Findings and Questioned Costs.....	13
Exit Conference.....	14

## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Daniel Vicari	January 1, 2018 to January 9, 2018
Executive Director	Duane Hayden	January 9, 2018 to December 31, 2018
Finance Manager/Treasurer	William Outlar	January 1, 2018 to December 31, 2018
President of the Airport Authority Board	Stephen Mays	January 1, 2018 to January 31, 2018
President of the Airport Authority Board	Timothy Fesko	February 9, 2018 to December 31, 2018

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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 GARY CHICAGO INTERNATIONAL  
AIRPORT AUTHORITY, LAKE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Gary/Chicago International Airport Authority (the "Airport Authority"), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statement, and have issued our report thereon dated April 23, 2019.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the Airport 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 Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a

deficiency, or a 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 over financial reporting 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.

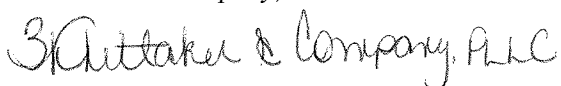
### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are 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*.

### ***The Purpose of this Report***

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

Whittaker & Company, PLLC



Gary, IN 46402

April 23, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

TO THE OFFICIALS OF THE GARY/CHICAGO INTERNATIONAL  
AIRPORT AUTHORITY, LAKE COUNTY, INDIANA

### **Report on Compliance for Each Major Federal Program**

We have audited Gary/Chicago International Airport Authority (the "Airport Authority")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Airport Authority's major federal programs for the year ended December 31, 2018. The Airport Authority's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Airport Authority's major federal programs 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 Airport

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 each major federal program. However, our audit does not provide a legal determination of Airport Authority's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### **Report on Internal Control over Compliance**

Management of the Airport 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 Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Airport 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 a 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.

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

We have audited the financial statements of the business-type activities of the Gary Chicago International Airport Authority (the "Authority") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report dated April 23, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements taken as a whole.

**Whittaker & Company, PLLC**

*Whittaker & Company, PLLC*

Gary, Indiana  
April 23, 2019



## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Federal Grantor Agency</u>	<u>Pass-Through or Direct Grant</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity (or Other) Identifying Number</u>	<u>Total Federal Awards Expended</u>
<b>Department of Transportation</b>				
Airport Improvement Program	Direct Grant	20.106	3-18-0028-035	3,532,500
Airport Improvement Program	Direct Grant	20.106	3-18-0028-037	2,887,784
Airport Improvement Program	Direct Grant	20.106	3-18-0028-038	270,000
<b>Total-Department of Transportation</b>				<u>\$ 6,690,284</u>
<b>Total Federal Awards Expended</b>				<u><b>\$ 6,690,284</b></u>

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal grant activity of the Gary Chicago International Airport Authority (“the Airport Authority”) and is presented in accordance with the accrual basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the awards are received.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Airport Authority has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

There were no federal awards expended for non-cash assistance, insurance or any loans or loan guarantees outstanding at year-end.

Of the federal expenditures presented in the Schedule, the Airport Authority did not provide any amounts to subrecipients.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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***Section I – Summary of Auditor's Results***

Financial Statement:

Type of auditor's report issued:	Unmodified
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?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for Major program:	Unmodified
Any audit findings disclosed that are required to be reported In accordance with Section CFR 200.516 (a)?	No

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

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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**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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***Section II – Financial Statement Findings***

No findings.

***Section III – Findings and Questioned Costs for Federal Awards***

No findings.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**Financial Statement Findings**

**FINDING 2017-001, 2016-001 – PROPER RECORDING OF FINANCIAL TRANSACTIONS**

- Condition – The Airport Authority has instituted a process whereby bank reconciliations are prepared by staff on a monthly basis. However, upon our observation and review, the bank reconciliations that were prepared for the JPMorgan checking account at December 2017 was inaccurate and overstated, thus necessitating audit adjusting journal entries for correction. Journal entries lacked documentation and analysis to support recording in the general ledger.
  
- Status: Corrective action was taken. Finding not repeated in current year.

**FINDING 2017-002, 2016-002 – INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (“SEFA”)**

- Condition – The Effective controls have not been established to allow for review and verification of the Financial Statements and preparation of the Schedule of Expenditures of Federal Awards (“SEFA”). The Airport Authority did prepare the SEFA for the year ended December 31, 2017. However, errors were noted in the balances presented. The SEFA originally presented by management, although correct in total, we were not able to tie out the federal funds according to each project.
  
- Status: Corrective action was taken. Finding not repeated in current year.

**Findings and Questioned Costs for Federal Awards**

No findings.

**GARY CHICAGO INTERNATIONAL AIRPORT AUTHORITY  
EXIT CONFERENCE  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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The contents of this report were discussed on Tuesday April 23, 2019 with members of the Airport Authority's Board of Directors – Chairman Timothy Fesko and Vice Chairman Denise Dillard, Airport Management - Duane Hayden, Executive Director, Curt Ulmen, Airport Operations Manager, Daniel Vicari, Airport Consultant and William Outlar, Finance Manager/Treasurer.