

# **REPORT DIGEST**

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## **KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY**

### **FINANCIAL AUDIT AND COMPLIANCE EXAMINATION**

For the Year Ended:  
June 30, 2009

#### **Summary of Findings:**

Total this audit	2
Total last audit	2
Repeated from last audit	2

Release Date:  
April 20, 2010



State of Illinois  
Office of the Auditor General  
**WILLIAM G. HOLLAND**  
AUDITOR GENERAL

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#### **SYNOPSIS**

- ◆ The Authority had inadequate segregation of duties in the area of expenditure control.
- ◆ The Authority failed to comply with the Kankakee River Valley Area Airport Authority Act.

{Expenditures and Activity Measures are summarized on the reverse page.}

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**KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY**  
**FINANCIAL AUDIT AND COMPLIANCE EXAMINATION**  
**For The Year Ended June 30, 2009**

PROPRIETARY FUND FINANCIAL OPERATIONS	FY 2009	FY 2008
<b>PROPRIETARY FUND EXPENSES</b>		
OPERATING EXPENSES		
Bank Service Charge.....	<u>0</u>	<u>64</u>
Total Operating Expenses .....	<u>0</u>	<u>64</u>
Operating Income (Loss)	<u>(0)</u>	<u>(64)</u>
<b>PROPRIETARY FUND REVENUES</b>		
NONOPERATING REVENUES		
Interest Income .....	<u>9</u>	<u>9</u>
Total Nonoperating Revenues .....	<u>9</u>	<u>9</u>
Change in Net Assets	<u>9</u>	<u>(55)</u>
Net Assets, July 1	<u>2,036</u>	<u>2,091</u>
Net Assets, June 30	<u>\$2,045</u>	<u>\$2,036</u>
<b>CONTRIBUTED SERVICES</b>		
Contributed Facilities and Services.....	<u>\$250</u>	<u>\$13,910</u>

SELECTED PROPRIETARY FUND BALANCES	JUNE 30, 2009	JUNE 30, 2008
Cash .....	<u>\$2,045</u>	<u>\$2,036</u>
Net Assets.....	<u>\$2,045</u>	<u>\$2,036</u>

AGENCY CHAIRMAN
During Audit Period: Mr. Warren Ouwenga

## **INTRODUCTION**

The Kankakee River Valley Area Airport Authority (Authority) was created September 10, 1990 as a result of the Kankakee River Valley Area Airport Authority Act (70 ILCS 15/ *et seq.*). Its mission is to facilitate safe and convenient air travel and transportation to and from the Kankakee River Valley by the acquisition or construction and operation of one or more airports.

This digest covers the financial audit and compliance examination of the Authority for the year ended June 30, 2009. The Authority received no appropriations from the Illinois General Assembly, and funds were not held in the State Treasury. The Authority was financed solely through contributions from private sources and interest income received from locally held funds.

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

### **INADEQUATE SEGREGATION OF DUTIES IN THE AREA OF EXPENDITURE CONTROL**

The Authority had inadequate segregation of duties in the area of expenditure control.

During testing, we noted that the Authority's Treasurer had the ability to write and sign checks, reconcile bank statements, and maintain all Authority records. However, the Authority had not written a check since August 2004.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

We recommended the Authority implement adequate segregation of duties over recordkeeping, expenditure approval, and reconciliation. (Finding 1, page 9)

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**Treasurer had ability to write and sign checks, reconcile bank statements, and maintain all records**

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**Authority agreed with auditor's recommendation**

The Authority agreed that there was a lack of segregation of duties, but notes that there was no expenditure loss or unauthorized use during the period.

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**NONCOMPLIANCE WITH KANKAKEE RIVER VALLEY AREA AIRPORT AUTHORITY ACT**

The Authority failed to comply with the Kankakee River Valley Area Airport Authority Act (Act). We noted the following deficiencies:

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**Failure to file annual report with the Governor**

- The Authority did not create and submit a written statement and report to the Governor covering its activities for the preceding fiscal year by November 15<sup>th</sup>.

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**One Board vacancy**

- The Authority had one vacancy requiring an appointment by the Will County Board. As of June 30, 2009, Will County did not appoint an individual to fill the vacant Authority member seat.

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**Failure to file constitutional oaths and bonds**

- Six of 7 (86%) Authority members did not file bonds in the amount of \$100,000 or file their constitutional oath of office with the Office of the Secretary of State in accordance with the Act.

We recommended the Authority prepare and submit a written statement and report covering its activities over the preceding fiscal year to the Governor by November 15<sup>th</sup> of each year as required. In addition, we recommended the Authority strengthen controls to ensure the Authority obtains the constitutional oath of office and bond in the penal sum of \$100,000 for appointed members and that the oaths and bonds are filed with the Office of the Secretary of State or seek legislative remedy.

Further, due to the Authority's inactivity over the past several years and their inability to maintain eight appointed board members, we recommended the Authority either ensure members are appointed in accordance with the Act or seek legislative remedy from the General Assembly. (Finding 2, pages 10-11) **This finding was first reported in 2005.**

The Authority agreed with the recommendation and

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**Authority agreed with auditor's recommendation**

stated that the Authority had no activity during FY 09. They are currently waiting on Will County to provide an appointed member at this time. The attorney assigned to the Authority will review bonding and oath requirements for all Board members.

In addition, the Authority stated that past attempts to seek legislative remedy have been unsuccessful. The Authority Chairman has and will continue to seek assistance in resolving the future existence of the Authority. (For the previous Authority response, see Digest footnote #1.)

**AUDITORS' OPINION**

The auditors stated the financial statements of the Authority as of June 30, 2009, and for the year ended, are fairly presented in all material respects.

**STATE COMPLIANCE EXAMINATION – ACCOUNTANT'S REPORT**

The auditors qualified their report on State Compliance for findings 09-1 and 09-2. Except for the noncompliance described in these findings, the auditors state the Authority complied, in all material respects, with the requirements described in the report.

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WILLIAM G. HOLLAND, Auditor General

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**AUDITORS ASSIGNED**

This audit was performed by the staff of the Office of the Auditor General.

**DIGEST FOOTNOTES**

**#1 The Kankakee River Valley Area Airport Authority failed to comply with the Kankakee River Valley Area Airport Authority Act.**

The Authority concurred with the finding with the following response to the deficiencies:

- The Authority had met only for annual reorganization. No activity other than the annual meeting had occurred nor was there staff available in the interim between annual meetings.
- Kankakee County had completed its assignments and Will County had created a slate of candidates to be approved by the County Board.
- The attorney assigned to the Authority will review bonding and oath requirements subsequent to the new Will County appointees' approval.
- The Authority stated that past attempts to seek legislative remedy have been unsuccessful. The Authority Chairman has and will continue to seek assistance in resolving the future existence of the Authority.