

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

OTTER CREEK TOWNSHIP

VIGO COUNTY, INDIANA

January 1, 2019 to December 31, 2022



FILED

12/14/2023

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Robert D. Salmon	01-01-19 to 12-31-23
Chair of the Township Board	Samuel R. Plant	01-01-19 to 12-31-23



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF OTTER CREEK TOWNSHIP, VIGO COUNTY, INDIANA

This report is supplemental to the audit report of Otter Creek Township (Township), for the period from January 1, 2019 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Township. It should be read in conjunction with the Financial Statements Audit Report of the Township, which provides our opinions on the Township's financial statements. This report may be found at www.in.gov/sboa/.

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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

December 4, 2023

OTTER CREEK TOWNSHIP, VIGO COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The Township had not adopted a capital assets policy, conducted a physical inventory, or maintained detailed record of capital assets during the audit period.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

INTERNAL CONTROLS

Condition and Context

There were deficiencies in the internal control system of the Township related to financial transactions and reporting. The Township had not separated incompatible activities related to payroll disbursements. There was no evidence of an internal control such as oversight, review, or approval process.

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. . . ."

OTTER CREEK TOWNSHIP, VIGO COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township personnel whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the Township, had not received training over internal control standards during 2019, 2020, 2021, and 2022, that were developed or approved by the Indiana State Board of Accounts.

Criteria

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."

CERTIFICATIONS ON INTERNAL CONTROL STANDARDS

Condition and Context

The Township certified on the Indiana Gateway for Government Units financial reporting system for 2019, 2020, 2021, and 2022, that all personnel defined by the Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the Township; however, during the engagement, the Township indicated that all personnel had not received training concerning the internal control standards.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report via the Indiana Gateway for Government Units (Gateway) financial reporting system. The leases and debt information entered into Gateway contained the following errors:

1. For 2019, the Lease Rental Bond, Series 2014 (New Fire Station) ending principal balance was overstated by \$150,000, and the principal and interest due in one year was understated by \$6,094.

OTTER CREEK TOWNSHIP, VIGO COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. For 2020, the Lease Rental Bond, Series 2014 (New Fire Station) ending principal balance was understated by \$215,000, and the principal and interest due in one year was understated by \$1,500.
3. For 2021, the Lease Rental Bond, Series 2014 (New Fire Station) ending principal balance was overstated by \$80,000, and the principal due in one year was overstated by \$5,000.
4. For 2022, the Lease Rental Bond, Series 2014 (New Fire Station) ending principal balance was overstated by \$80,000.

Adjustments were proposed, accepted by the Township, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statements Audit Report of the Township.

In addition, the capital asset information entered into Gateway could not be verified due to lack of supporting documentation.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity 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](#)."

OTTER CREEK TOWNSHIP, VIGO COUNTY
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2023, with Robert D. Salmon, Trustee; Samuel R. Plant, Chair of the Township Board; J. A. Whitman, Secretary of the Township Board; and Richard Shagley, Jr., Township Attorney.