

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

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

COMPLIANCE ENGAGEMENT REPORT

OF

OTSEGO TOWNSHIP

STEUBEN COUNTY, INDIANA

January 1, 2020 to December 31, 2023



**FILED**

02/12/2025



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	D. Kim Kepler	01-01-20 to 12-31-25
Chair of the Township Board	Tyson Knox	01-01-20 to 12-31-25



Paul D. Joyce, CPA  
State Examiner

## INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF OTSEGO TOWNSHIP, STEUBEN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of Otsego Township (Township), for the period of January 1, 2020 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Township as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Township's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to D. Kim Kepler, Trustee, on January 29, 2025.



Beth Kelley, CPA, CFE  
Deputy State Examiner

January 6, 2025

OTSEGO TOWNSHIP, STEUBEN COUNTY  
COMMENTS

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Internal controls were not in place to ensure proper reporting of information into the Indiana Gateway for Government Units (Gateway) financial reporting system. The amounts reported in Gateway for the Annual Financial Report do not agree with the Township's accounting records as summarized in the table below:

Schedule of Errors on AFR			
	Over (Under) Stated		
Fund	2020		
Disbursements:			
Township	\$ 339		
Over (Under) Stated			
	Beginning Cash and Investments	Ending Cash and Investments	Ending Cash and Investments
Fund	2020	2020	2021
Beginning and Ending Cash and Investment Balances:			
Township	\$ 72,219	\$ 71,881	\$ 71,881
Township Assistance	34,610	34,610	34,610
Levy Excess	497	497	497
Totals	\$ 107,326	\$ 106,988	\$ 106,988

*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 as set forth in the uniform compliance guidelines. 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](#)."

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:

OTSEGO TOWNSHIP, STEUBEN COUNTY  
COMMENTS  
(Continued)

"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. . . ."

## **CAPITAL ASSETS**

### *Condition and Context*

Internal controls were not in place to ensure compliance over capital assets. The Township did not adopt a capital asset policy during the engagement 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)

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:

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OTSEGO TOWNSHIP, STEUBEN COUNTY  
COMMENTS  
(Continued)

**100R - CERTIFIED REPORT FILED AFTER DUE DATE**

*Condition and Context*

Internal controls were not in place to ensure compliance with the timely filing of Form 100R. The Form 100R for the period ending December 31, 2022, was due January 31, 2023. The Form 100R was not filed until February 6, 2023, six days after the deadline.

*Criteria*

Indiana Code 5-11-13-1(b) states:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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.

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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. . . ."

**ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS**

A similar comment also appeared in prior Report B55224, entitled *ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS*.

OTSEGO TOWNSHIP, STEUBEN COUNTY  
COMMENTS  
(Continued)

*Condition and Context*

The Township had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts and had not required the necessary training of personnel concerning internal control procedures. The Township adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts and completed the necessary training of personnel concerning internal control procedures on August 24, 2024.

*Criteria*

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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:

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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. . . ."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

A similar comment also appeared in prior Report B55224, entitled *CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

*Condition and Context*

The Township incorrectly certified for the years 2020, 2021, 2022, and 2023, on the Indiana Gateway for Government Units financial reporting system, that the Township had adopted internal control standards and that training was provided to personnel. However, the Township had not adopted internal control standards as required by Indiana Code 5-11-1-27(g), nor had the personnel been trained. On August 24, 2024, the Township adopted internal control standards, and training was completed by the Trustee.

OTSEGO TOWNSHIP, STEUBEN COUNTY  
COMMENTS  
(Continued)

*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 as set forth in the uniform compliance guidelines. 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](#)."

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. . . ."



STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS

OTSEGO TOWNSHIP, STEUBEN COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
Township	\$ 61,530	\$ 27,880	\$ 37,893	\$ 51,517	\$ 33,386	\$ 39,656	\$ 45,247
Park And Recreation	36,735	22,639	7,000	52,374	24,721	4,000	73,095
Township Assistance	35,184	-	2,249	32,935	-	1,690	31,245
Fire Fighting	172,949	55,547	32,091	196,405	61,144	38,644	218,905
Rainy Day	14,539	-	-	14,539	-	-	14,539
Levy Excess	497	-	-	497	-	-	497
Cumulative Fire	113,212	36,190	51,491	97,911	37,485	54,131	81,265
Totals	<u>\$ 434,646</u>	<u>\$ 142,256</u>	<u>\$ 130,724</u>	<u>\$ 446,178</u>	<u>\$ 156,736</u>	<u>\$ 138,121</u>	<u>\$ 464,793</u>

OTSEGO TOWNSHIP, STEUBEN COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
Township	\$ 45,247	\$ 77,145	\$ 41,413	\$ 80,979	\$ 74,600	\$ 42,423	\$ 113,156
Park And Recreation	73,095	5,620	4,000	74,715	-	12,000	62,715
Township Assistance	31,245	30	4,323	26,952	-	3,429	23,523
Fire Fighting	218,905	41,640	37,926	222,619	64,319	55,843	231,095
Rainy Day	14,539	-	-	14,539	6,354	-	20,893
Levy Excess	497	-	-	497	-	-	497
Cumulative Fire	81,265	38,198	21,880	97,583	29,276	-	126,859
Totals	<u>\$ 464,793</u>	<u>\$ 162,633</u>	<u>\$ 109,542</u>	<u>\$ 517,884</u>	<u>\$ 174,549</u>	<u>\$ 113,695</u>	<u>\$ 578,738</u>