

ORDINANCE NO. 2019 ⁴⁶
HENDRICKS COUNTY REGIONAL SEWER DISTRICT
ORDINANCE FOR ADOPTION OF SBOA MINIMUM CONTROL STANDARDS AND
MATERIALITY THRESHOLD

*An Ordinance Concerning "The Adoption Of Minimum Internal Control Standards And
Procedures And Determining Materiality Threshold For Hendricks County Regional Sewer
District"*

WHEREAS, IC 5-11-1-27 provides that internal control standards shall be defined to promote government accountability and transparency; and

WHEREAS, The 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. All political subdivisions subject to audit by SBOA are expected to adhere to these standards, and will be evaluated accordingly in any audits that are performed by or on behalf of the SBOA; and

WHEREAS, In response, the SBOA developed the Uniform Internal Control Standards for Indiana Political Subdivisions manual, which contains the acceptable minimum level of internal control standards; and

WHEREAS, After June 30, 2016, IC 5-11-1-27(g) provides that the legislative body of each political subdivision must adopt the minimum internal control standards as defined by SBOA. Additionally, the legislative body must ensure that personnel receive training concerning the internal control standards and procedures adopted by the political subdivision; and

WHEREAS, IC 5-11-1-27(j) requires erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the State Board of Accounts; and

WHEREAS, State Examiner Directive 2015-6 directs each political subdivision to determine its own policy on materiality; and

WHEREAS, Hendricks County Regional Sewer District does not condone any erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property but recognizes that relatively small items may not justify the cost of the involvement of the State Board of Accounts.

NOW, THEREFORE, be it ordained by the Regional Sewer Board of the County of Hendricks, that:

Section 1. The acceptable minimum level of internal control standards and procedures developed under IC 5-11-1-27(e) by the SBOA contained in the Uniform Internal Control Standards for Indiana Political Subdivisions manual, are hereby adopted by the Hendricks County Regional Sewer Board and that Regional Sewer personnel receive training concerning the internal control standards and procedures hereby adopted.

Section 2. Hendricks County Regional Sewer Board establishes the following Materiality Policy under IC 5-11-1-10, 5-11-1-21, and 5-11-1-27:

Materiality, in Hendricks County Regional Sewer District, is defined as \$5,000 per occurrence. That is, if one occurrence of a loss or shortage or other irregularity is equal or greater than \$5,000.00, it must be reported to the State Board of Accounts. The materiality definition is not limited to defalcations or suspicious activity involving only cash or cash transactions. If supplies, equipment or other fixed assets belonging to the District are suspected of being misappropriated or stolen or used in a manner not authorized by the Regional Sewer Board and the value of those supplies, equipment or fixed assets are approximately \$5,000.00, that misuse or series of misuse should be reported. That is not to say that if a loss or shortage is less than \$5,000.00 it should be ignored. If there is a series of events, within the same office or department that appears to be a structuring event to defraud or misappropriate District funds or property, that event or series of events should be reported.

Section 3. All erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the State Board of Accounts. For all material variances, losses, shortages, or thefts, the State Board of Accounts shall:

- (1) Determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials;
- (2) Determine the internal control weakness that contributed to or caused the condition; and
- (3) Make written recommendations to the appropriate legislative body or appropriate official overseeing the internal control system addressing:
 - (a) the method of correcting the condition; and
 - (b) the necessary internal control policies and internal control procedures that must be modified to prevent a recurrence of the condition.

Section 4. Pursuant to IC 5-11-1-27(1), if any Regional Sewer District employee knows or suspects that other District employees are engaged in fiscal misconduct, it is his/her responsibility to immediately notify their Supervisor or the Regional Sewer Board or the Board of Commissioners or if the Supervisor or a Regional Sewer Board or County Commissioner is involved the County Attorney, or if the employee has concerns about informing the County Attorney, then the County Auditor and Prosecuting Attorney are to be contacted.

All as passed and Ordained this 10TH day of DECEMBER 2019.

THE REGIONAL SEWER BOARD OF THE
HENDRICKS COUNTY REGIONAL SEWER
DISTRICT:

Phyllis A. Palmer
Phyllis A. Palmer, President

Matthew D. Whetstone, Vice President

Bob Gentry
Bob Gentry, Member

Attest:

[Signature]