

ORDINANCE NO. 2019-10-21A

**AN ORDINANCE CONCERNING THE ADOPTION OF MINIMUM INTERNAL CONTROL STANDARDS AND PROCEDURES AND DETERMINING MATERIALITY THRESHOLD FOR WARREN COUNTY**

**WHEREAS**, IC 5-11-1-27 provides that internal control standards shall be defined to promote government accountability and transparency. This statute applies to all political subdivisions under IC 5-11-10.5-1 that may sue and be sued; 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**, I.C. 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 to 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**, Warren County 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 Board of Commissioners of the County of Warren, 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 Warren County and that county personnel receive training concerning the internal control standards and procedures hereby adopted.

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

Materiality; in the Warren County Government, is defined as \$500.00 per occurrence. That is, if one occurrence of a loss or shortage or other irregularity is equal or greater than \$500.00, 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 County are suspected of being misappropriated or stolen or used in a manner not authorized by Warren County officials and the value of those supplies, equipment or fixed assets are approximately \$1500.00, that misuse or series of misuse should be reported. That is not to say that if a loss or shortage is less than \$1500.00 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 County funds or property, that event or series of events should be reported.

Section 3: When an incident involving any variance, loss, shortage, or suspected theft of funds or property has been discovered by or brought to the attention of an employee of the County by any means or by any other person, such incident shall be reported the employee's Department Head who, shall in turn, report the incident to the Warren County Auditor. All documentation relevant to the incident shall be maintained on file by the Auditor for the period required by the statute for record retention, regardless of whether or not the incident is determined to be material.

Section 4. Pursuant to IC 5-11-1-27(j), if the Auditor determines that an incident involving 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 are occurrence of the condition.

Section 5. Pursuant to IC 5-11-1-27(1), if any Warren County employee knows or suspects that other County employees are engaged in fiscal misconduct, it is his/her responsibility to immediately notify the State Board of Accounts and local prosecuting attorney in writing.


Section 6. The Warren County government shall investigate all erroneous or irregular variances, losses, shortages, or thefts, regardless of whether they meet the materiality threshold established by this policy. Upon conclusion of such investigation the County shall:

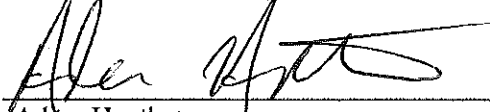
1. Implement procedures designed to prevent the recurrence of such incidents; and
2. Take appropriate disciplinary action against the employee responsible for the incident.

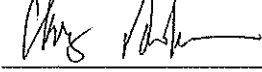
Section 7. The Warren County Ethics Policy/Internal Control/Materiality Declaration regarding establishment of a policy on materiality and a process for reporting material items, which was reviewed and approved by the Warren County Board of Commissioners on May 16, 2016, and the Warren County Council on May 16, 2016, is hereby adopted.

All as Passed and Ordained this 21 day of October, 2019.

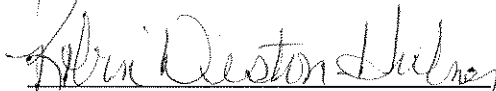
THE BOARD OF COMMISSIONERS OF  
THE COUNTY OF WARREN COUNTY:

  
\_\_\_\_\_  
W. Brian Jordan, President

  
\_\_\_\_\_  
Adam Hanthorne

  
\_\_\_\_\_  
Clay Andrews

ATTEST:

  
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Robin Weston-Hubner  
Warren County Auditor