

MUNCIE SANITARY DISTRICT  
RESOLUTION 2020-12

A RESOLUTION ADOPTING THE MATERIALITY THRESHOLD AS REQUIRED BY STATE EXAMINER DIRECTIVE 2016-5.

WHEREAS the Muncie Sanitary District (“the District”) recognizes that Indiana Code § 5-11-1-27(j) requires that all erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the Indiana State Board of Accounts (“SBOA”);

WHEREAS Indiana Code § 5-11-1-27(j) also requires public officials who have actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds to immediately send written notice of the misappropriation to the SBOA and the prosecuting attorney;

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

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SANITARY COMMISSIONERS OF THE MUNCIE SANITARY DISTRICT, THAT:

SECTION 1. Adoption of Minimum Standards & Procedures. The acceptable minimum level of internal control standards and procedures developed under Indiana Code § 5-11-1-27(e) by the SBOA contained in the Uniform Internal Control Standards for Indiana Political Subdivisions Manual and the internally referenced Standards for Internal Control in the Federal Government, otherwise known as the “Green Book” are hereby adopted by the District, and all pertinent employees of the District shall receive training concerning the internal control standards and procedures implemented herein.

SECTION 2. Material Variances, Losses, Shortages or Thefts. Pursuant to Indiana Code § 5-11-1-27(j), all erroneous or irregular variances, losses, shortages, or thefts of the District’s funds or property that are defined as material in Section 3, shall be reported immediately to the SBOA. For all material variances, losses, shortages or thefts, the SBOA 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 the method of correcting the condition, and the necessary internal control policies and internal control procedures that must be modified to prevent a recurrence of the condition.

SECTION 3. Establishment of Materiality Policy. Materiality in the District is hereby defined as One Thousand Dollars (\$1,000.00) per occurrence. That is, if one occurrence of a loss or shortage or other irregularity is equal to or greater than One Thousand Dollars (\$1,000.00), it must be reported to the SBOA. The materiality definition is not limited to defalcations (embezzlement) 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 are used in a manner that is not authorized by the District, and the value of those supplies, equipment, or fixed assets is equal to or greater than One Thousand Dollars (\$1,000.00), that misuse should be reported. If there is a series of events, within the same office or department that appears to be a structuring event to defraud or

misappropriate the District's funds or property, that event or series of events should also be reported to the SBOA, even if they are individually not equal to or greater than One Thousand Dollars (\$1,000.00) in value.

SECTION 4. Non-Material Misappropriation of Public Funds. Pursuant to Indiana Code § 5-11-1-27(l), when the District has actual knowledge or reasonable cause to believe that there has been a misappropriation of the District's funds or property, even if it does not meet the materiality threshold provided in Section 3, it will immediately send written notice of the misappropriation to the SBOA and the prosecuting attorney. Misappropriation occurs when there is a known taking or embezzlement of the District's funds or property by an employee of the District.

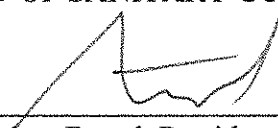
SECTION 5. Documentation and Resolution. Documentation and resolution of incidences that do not meet the materiality threshold as provided herein are to be maintained pursuant to the internal control procedures as set out within the Uniform Internal Control Standards for Indiana Political Subdivisions Manual and the internally referenced Standards for Internal Control in the Federal Government, otherwise known as the "Green Book".


SECTION 6. Policy Handbook. The Muncie Sanitary District Personnel Policies Handbook shall be updated, as necessary, to reflect these changes.

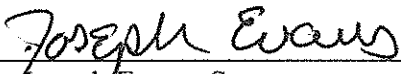
THE RESOLUTION PASSED AND ADOPTED by the Board of Sanitary Commissioners of the Muncie Sanitary District, Muncie, Indiana this 21<sup>st</sup> day of October 2020.

MUNCIE SANITARY DISTRICT

BOARD OF SANITARY COMMISSIONERS

  
By: Stephen Brand, President

  
By: Brian Stephens-Hotopp, Vice President

  
By: Joseph Evans, Secretary

  
By: William Smith, Member

  
By: Tonya Brothers-Bridge, Member