

THE BOARD OF COMMISSIONERS OF WABASH COUNTY, INDIANA

RESOLUTION NO. 2016-85-02

**A RESOLUTION ADOPTING A POLICY WITH RESPECT TO
MATERIALITY THRESHOLDS**

The Board of Commissioners of Wabash County recognizes that variances, losses, shortages, and theft of county funds or other assets may occur from time to time; and

I.C. § 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

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

Without the adoption of a materiality policy, the materiality threshold is \$0.00 and Wabash County must report all irregular variances, losses, shortages, and thefts to the State Board of Accounts; and

The Board of Commissioners of Wabash County does not condone any erroneous or irregular material variances, losses, shortages, or thefts of County 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 WABASH COUNTY, INDIANA, THAT THE FOLLOWING POLICY IS NOW ADOPTED:

WABASH COUNTY MATERIALITY THRESHOLDS POLICY

Section 1. All erroneous or irregular variances, losses, shortages, or thefts of County funds or property, or funds or property the County holds in trust, no matter the amount, shall be reported to the Wabash County Auditor, or proper designee, immediately and in writing.

Section 2. All County elected officials and all County employees who have actual knowledge of, or reasonable cause to believe, a misappropriation of County funds has occurred are required to immediately report, in writing, such misappropriation to the Indiana State Board of Accounts and the Wabash County Prosecutor.

Section 3. It will be the policy of the County to report to the State Board of Accounts any erroneous or irregular variances, losses, shortages, or thefts of cash in excess of Five Hundred Dollars (\$500.00), except for inadvertent clerical errors that are identified timely and promptly corrected with no loss to the County.

Section 4. It will be the policy of the County to report promptly to the State Board of Accounts any erroneous or irregular variances, losses, shortages, or thefts of non-cash items in excess of One Thousand Dollars (\$1,000.00), based on estimated fair market value, except for those resulting from inadvertent clerical errors or misplacements that are identified timely and promptly corrected with no loss to the County.

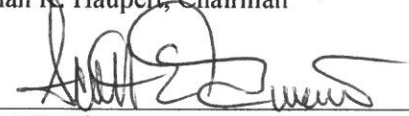
Section 5. All County elected officials are asked and all County employees and agents are directed to comply with this policy, and the Wabash County Auditor is directed to maintain all documentation related to such reports and their respective resolutions.

Adopted this 15th day of February, 2016.

BOARD OF COMMISSIONERS OF WABASH
COUNTY



Brian K. Haupert, Chairman



Scott E. Givens



Barry J. Eppley

ATTEST:



Linda Conrad, Wabash County Auditor



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765
Telephone: (317) 232-2513
Fax: (317) 232-4711

January 7, 2016

Memo on Considerations for Materiality Policies

To aid in the creation and implementation of a materiality policy as discussed in State Examiner Directive 2015-6, the State Board of Accounts assembled the following suggestions that each political subdivision should consider.

Each political subdivision is the best determiner of the qualitative and quantitative factors unique to the unit in arriving at materiality. For example, a \$500 variance in a large city is not necessarily as concerning as a \$500 variance in a small township. On the other hand, a \$50 variance in a large city that happens on a regular and consistent basis may be material. Thus, each materiality policy should include the following:

1. Designation of a person (or position) to whom all irregular variances, losses, shortages, and thefts are reported. Multiple individuals may be designated if each individual follows the overall materiality policy. For example, a county clerk, county treasurer, and county auditor could be designated for occurrences within their respective offices, as long as the county-wide policy is followed by each designee.
2. Establishment of two dollar thresholds at which point the designated person will report the incident to the State Board of Accounts. The thresholds should be for (1) incidents involving cash and (2) incidents involving all other (non-cash) assets. Incidents involving cash will likely have a lower dollar threshold.
3. Creation of an outline of steps that will be taken upon receipt of such a report. Such steps may include:
 - a. logging-in all reports into a spreadsheet that is permanently maintained by the political subdivision;
 - b. confirming the dollar amount of the variance, loss, shortage, or theft;
 - c. evaluating the report against the established dollar thresholds, and sending a letter to the SBOA when the report exceeds the threshold;
 - d. investigating the cause of any variance, loss, shortage, or theft;
 - e. implementing corrective actions or internal control procedures to correct the cause(s) of the variance, loss, shortage, or theft; and
 - f. maintaining copies of relevant documentation, resolution of incidents, and any report to the State Board of Accounts in a centralized data folder.
4. Acknowledgment of Ind. Code § 5-11-1-27(1), which 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 State Board of Accounts and the prosecuting attorney.

As a reminder, if a political subdivision does not develop a policy on materiality, then the threshold is \$0.00 and the political subdivision must report *all* irregular variances, losses, shortages, and thefts to the State Board of Accounts.

Debbie Gibson

Director of Local Audit Services