Passed 9-0

RESOLUTION 16-20

THE ADOPTION OF MINIMUM INTERNAL CONTROL STANDARDS AND PROCEDURES AND DETERMINING MATERIALITY THRESHOLD FOR THE CITY OF BLOOMINGTON, MONROE COUNTY INDIANA

WHEREAS, I.C. 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 I.C. 5-11-10.5-1, including counties, townships, cities, towns, school corporations, library districts, fire protection districts, public transportation corporations, local hospital authorities or corporations, local airport authority districts, special service districts, special taxing districts, or other separate local governmental entities that may sue and be sued; and

WHEREAS, the State Board of Accounts (SBOA) is required under I.C. 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 to such statute, 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, 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, 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 SBOA; and

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 COMMON COUNCIL OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA, THAT:

SECTION 1. Adoption of Minimum Standards & Procedures. The acceptable minimum level of internal control standards and procedures developed under I.C. 5-11-1-27(e) by the SBOA contained in the Uniform Internal Control Standards for Indiana Political Subdivisions manual, are hereby adopted by City of Bloomington, Indiana (City) and that City personnel shall receive training concerning the internal control standards and procedures hereby adopted.

As the oversight body which oversees the Administration's design, implementation, and operation of City's internal control system, the Common Council (Council) requires the Controller, as the City's Chief Fiscal Officer and the Council's chief agent in implementing and managing the internal control policies and procedures, to provide a report to the Council at least once each year, in November or December. This report shall assess the effectiveness of the internal control system and identify any areas of concern for review by the Council.

SECTION 2. Establishment of Materiality Policy. The City establishes the following Materiality Policy under I.C. 5-11-1-10, 5-11-1-21, and 5-11-1-27:

> Materiality, in the City, is hereby 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 SBOA. This 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 City are suspected of being misappropriated or stolen or used in a manner not authorized by City officials and the value of those supplies, equipment or fixed assets are approximately $500.00 or more, that misuse or series of

misuse should be reported. That is not to say that if a loss or shortage is less than $500.00 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 City funds or property, that event or series of events should be reported to the SBOA.

SECTION 3. Material Variances, Losses, Shortages or Thefts. All erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property 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:
  (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. Notification of Fiscal Misconduct. If any City employee knows or suspects that other City employees are engaged in fiscal misconduct, it is his/her responsibility to immediately notify their Supervisor, or Controller, or Corporation Counsel, or the City's anonymous hotline.

SECTION 5. This resolution shall be in full force and effect from and after its passage the Common Council of the City of Bloomington and approval of the Mayor.

PASSED by the Common Council of the City of Bloomington, Monroe County, Indiana, upon this 7th day of December, 2016.

ANDY RUFF, President
Bloomington Common Council

ATTEST:

NICOLE BOLDEN, Clerk
City of Bloomington

PRESENTED by me to the Mayor of the City of Bloomington, Monroe County, Indiana, upon this 9 day of December, 2016.

NICOLE BOLDEN, Clerk
City of Bloomington

SIGNED and APPROVED by me upon this 9th day of December, 2016.

JOHN HAMILTON, Mayor
City of Bloomington

SYNOPSIS

This resolution is being brought forward to bring the City into compliance with recent changes in in IC 5-11-1 (State Board of Accounts Created). It:

- Adopts the acceptable minimum level of internal control standards and procedures developed by the State Board of Accounts (SBOA) and requires that City personnel receive training in that regard;
- Establishes a "Materiality Policy" which defines the occurrence or circumstances of misuse of City funds or property that require a report to the SBOA under statute;
- Requires that all material variances, losses, or thefts be reported immediately to the SBOA for review and response; and
- Makes every City employee who knows or suspects that other City employees are engaged in fiscal misconduct responsible for immediately notifying their supervisor, the Controller, Corporation Counsel, or the City's anonymous hotline.

Note: Res 16-20 was revised after distribution in the weekly Council Legislative Packet, but before introduction at the Committee of the Whole on November 30, 2016. The revisions clarified that the $500 threshold in Section 2 was a minimum amount and added a comma in the heading of Section 3.

Note: Res 16-20 was amended by the Council at the Regular Session on December 7, 2016. The amendment, Am 01, inserted a second paragraph to Section 1, which recited the role of the Council and Controller in the City's internal control system and required the Controller to provide an annual report to the Council.

Distributed to: Office of the Mayor, Office of the City Clerk, Council Administrator, Legal, Planning and Transportation, HAND, Controller, Public Works, Utilities, CFRD, ESD, Human Resources, ITS, Parks and Recreation, Fire, Police, Transit