

## ORDINANCE NO. 2016-~~10~~

### ORDINANCE ESTABLISHING MATERIALITY POLICY AS TO REPORTING TO INDIANA STATE BOARD OF ACCOUNTS AS TO ERRONEOUS OR IRREGULAR MATERIAL VARIANCES, LOSSES, SHORTAGES OR THEFTS

WHEREAS, Indiana Code 5-11-1-27(j) states:

“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 appropriate 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”;

WHEREAS, the Indiana State Board of Accounts has ruled that in general, each political subdivision must develop its own policy on materiality because the causes of the irregular variances, losses, shortages, and thefts are as broad and varied as the political subdivisions in which the incidents occur.

WHEREAS, the Town Council of the Town of Corydon, Indiana recognizes that variances, losses, shortages, and thefts may occur. If such an incident occurs, it is the Town of Corydon’s policy for the Town Clerk or such elected officials and/or employees as becomes aware of the variance, loss, shortage or theft to report the same to the President of the Town Council of the Town of Corydon and to the Town Clerk, to be placed on the agenda for resolution at the next Town Council meeting.

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

WHEREAS, the Town of Corydon 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 Indiana State Board of Accounts.

NOW, THEREFORE, BE IT HEREBY ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF CORYDON, INDIANA THAT:

Section 1: Any public official, department head or employee with actual or reasonable cause to believe that there has been a misappropriation of public funds is to immediately send written notice of the misappropriation to their Supervisor or the Town Council or if the Supervisor or a Town Council Member is involved the Town Attorney, or if the employee has concerns about informing the Town Attorney, then the County Prosecuting Attorney is to be contacted. If the public official, department head or employee believes that the matter is not being sufficiently addressed, then they may contact the State Board of Accounts.

Section 2: The materiality threshold at which point the Town shall report incidents of material variances, losses, shortages, to the State Board of Accounts is:

- A. A one-time cash loss of at least Five Hundred Dollars (\$500.00) or,
- B. A recurring cash loss of at least Fifty Dollars (\$50.00) average per month, or,
- C. A value of Five Hundred Dollars (\$500.00) for a one-time loss of assets, or
- D. A creation of additional liabilities of at least One Thousand Dollars (\$1,000.00) average per month

Section 3: All items not reported to the State Board of Accounts shall be resolved at the Town Council level with appropriate documentation retained by the Town Clerk.

Section 4: When an irregular variance, loss, shortage, or theft is determined material pursuant to Town of Corydon’s policy on materiality, the Town Clerk shall report the incident to the Indiana State Board of Accounts either by the notification link on the State Board Accounts website, by telephone or in writing.

Section 5: This Ordinance shall be effective upon passage.

All action which is taken this 25th day of July, 2016 at an open meeting of the Town Council of the Town of Corydon, Indiana.

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Eva Bates North

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Reginald M. King  
[Signature]

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Mark W. Parks

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John [Signature]

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Passed and adopted this 25th day of July, 2016.

Eva Bates North  
Eva Bates North,  
Town of Corydon Council President

ATTEST: Tregala M. King  
Tregala M. King  
Town of Corydon Clerk

This Instrument Prepared By: Christopher L. Byrd, Attorney at Law