

**TOWN OF ST. JOHN, LAKE COUNTY, INDIANA**

**ORDINANCE NO. 1676**

**AN ORDINANCE ESTABLISHING A POLICY FOR THE TOWN OF ST. JOHN, LAKE COUNTY, INDIANA, REGARDING MATERIALITY/IRREGULAR VARIANCES, LOSSES, AND SHORTAGES, CONSISTENT WITH CURRENT APPLICABLE LAW, AND ALL MATTERS RELATED THERETO.**

WHEREAS, the Town of St. John, Lake County, Indiana (hereinafter the "Town"), is a unit of local government in the State of Indiana, located in Lake County; and

WHEREAS, the Town is governed by its duly elected Town Council (hereinafter, the "Town Council"), the legislative and fiscal body of the Town; and

WHEREAS, the Town Council has been informed and advised that the requirements of I.C. § 5-11-1-27 provide legal requirements for immediate reporting to the State of Indiana Board of Accounts of all erroneous or irregular material variances, losses, shortages, or thefts of Town funds or property for review assessment and action by the State of Indiana Board of Accounts concerning same; further applicable law requires each unit of local government, or political subdivision, to develop and establish its own policy on materiality; and

WHEREAS, the Town Council has been further informed and advised that the State Board of Accounts has issued Directives, namely State Examiner Directive 2015-6 issued November 18, 2015, and as amended April 7, 2016, concerning the applicable law, requirement for compliance by each local government entity that may sue and be sued, and requirement for development of a policy, or default to a mandatory duty and responsibility to report all irregular variances, losses, shortages, and thefts to the State of Indiana Board of Accounts, and all related matters of law, fiscal responsibility, and accountability compliance; and

WHEREAS, the Town Clerk-Treasurer has evaluated this series of legal requirements, and has consulted with the Town Financial Advisors and Town Attorney, and at the conclusion of same, recommended to the Town Council that an Ordinance be adopted for the Town regarding erroneous or irregular variances, losses, shortages, and thefts, consistent with current applicable law is advisable and in the best interests of the residents and taxpayers of the Town; and

WHEREAS, the Town Council, being duly advised by its Clerk-Treasurer, and having reviewed all matters related hereto, now concurs and agrees that is advisable, appropriate, and in the best interests of the residents and taxpayers of the Town that an Ordinance be adopted regarding erroneous or irregular variances, losses, shortages, and thefts, consistent with current applicable law, as recommended.

**NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF ST. JOHN, LAKE COUNTY, INDIANA:**

**SECTION ONE:** That Town Council hereby establishes a policy for the Town regarding erroneous or irregular variances, losses, shortages, and thefts, consistent with current applicable law, as follows:

**“MUNICIPAL MATERIALITY/IRREGULAR VARIANCES, LOSSES, and SHORTAGES**

**Purpose**

There is hereby established the municipal statement on materiality and standards of conduct related to encounters of irregular variances, losses, and shortages. This Ordinance is intended to comply with the provisions of I.C. 5-11-1-27(j), and State Examiner Directive 2015-6 issued November 18, 2015, amended April 7, 2016, and each as currently in effect, or amended hereafter from time to time.

**Materiality Threshold**

(A) There are hereby established materiality thresholds for the purposes of reporting irregular variances, losses, shortages and thefts.

(B) The materiality thresholds to determine the necessity of reporting by the Town shall be determined by the activity as follows:

- (1) For Governmental Activities, which includes all activities that are not associated with the Department of Waterworks or the Department of Public Sanitation and Sanitary District, the materiality threshold shall be Fourteen Thousand (\$14,000.00) Dollars;
- (2) For activities associated with the Department of Waterworks, the materiality threshold shall be Seven Thousand (\$7,000.00) Dollars;
- (3) For activities associated with the Department of Public Sanitation and Sanitary District, the materiality threshold shall be Ten Thousand (\$10,000.00) Dollars.

(C) If the irregular variance, loss or shortage is not cash or a cash-equivalent, the value of the item at the time of the variance, loss or shortage shall be used to determine whether the materiality threshold has been met.

(D) All irregular variances, losses or shortages exceeding the above thresholds shall be reported upon completion of the bank reconciliations or within thirty (30) Days of the monthly accounting period closing, whichever occurs first, to the State of Indiana Board of Accounts. In addition, irregular variances, losses or shortages which occur more often than four (4) times in a month and which in the aggregate total the amounts indicated above shall be reported immediately to the State of Indiana Board of Accounts.

(E) Any *theft* of public funds or assets of *any* value upon discovery, shall be immediately reported to the State of Indiana Board of Accounts and the Office of the Lake County Prosecuting Attorney. Materiality does not apply.

**Duties of Public Officers with Knowledge of Misappropriation**

A public officer who has knowledge of or reasonable cause to believe that there has been a misappropriation and/or theft of public funds or assets of the public office shall immediately send written notice of the misappropriation and/or theft to the State of Indiana Board of Accounts and the Office of the Lake County Prosecuting Attorney, all pursuant to I.C. 5-11-1-27(l).

**Maintenance of Documentation**

The Town shall maintain records and documentation concerning irregular variances, losses, shortages and thefts in accordance with the required minimum internal control standards established as required by the State of Indiana Board of Accounts.

**Resolution of Incidents Not Meeting the Materiality Threshold**

(A) The Town shall immediately, upon discovery, investigate all irregular variances, losses, or shortages regardless of whether such meet the materiality threshold established by this chapter.

(B) Upon conclusion of each such investigation, the Town shall:

- (1) Implement procedures designed to prevent the recurrence of such incidents; and
- (2) Take appropriate action toward the employee(s)/Town Official(s) responsible for the incident, which may include additional training, instruction, or disciplinary action.

**Periodic Review of the Thresholds**

The materiality thresholds fixed in this chapter shall be periodically reviewed for sufficiency by the Office of the Clerk-Treasurer. When appropriate, the Office of the Clerk-Treasurer shall recommend to the Town Council such amendments as may be desirable or necessary to further perfect the sufficiency of the thresholds.”

**SECTION TWO:** That all existing Ordinances, or parts thereof, in conflict with the provisions of this Ordinance are hereby deemed null, void, and of no legal effect, and are specifically repealed.

**SECTION THREE:** If any section, clause, provision or portion of this Ordinance shall be held to be invalid or unconstitutional by any Court of competent jurisdiction, such decision shall not affect any other section, clause, provision or portion of this Ordinance.

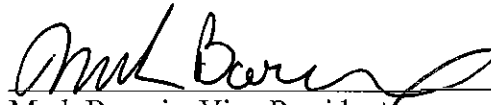
**SECTION FOUR:** That this Ordinance shall take effect, and be in full force and effect, retroactively from the 15<sup>th</sup> Day of November 2015, from and after its passage by the Town Council of the Town of St. John, Lake County, Indiana.

**ALL OF WHICH IS PASSED AND ADOPTED THIS 27 DAY OF DECEMBER 2018, BY THE TOWN COUNCIL OF THE TOWN OF ST. JOHN, LAKE COUNTY, INDIANA.**

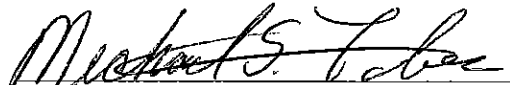
**TOWN OF ST. JOHN, LAKE COUNTY,  
INDIANA, TOWN COUNCIL**



Christian J. Jorgensen, President



Mark Barenie, Vice-President

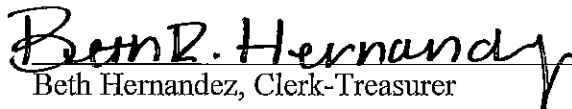


Michael S. Forbes, Member

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Gregory J. Volk, Member

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Stephen Hastings, Member

ATTEST:



Beth Hernandez, Clerk-Treasurer