

Ordinance No 2024-3
Materiality Threshold

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 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.

AND 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 irregular variances, losses, shortages, and thefts are as broad and varied as the political subdivisions in which the incidents occur.

AND WHEREAS the Town of New Richmond recognizes that variances, losses, shortages, and thefts may occur. If such an incident occurs, it is the Town of New Richmond policy for the Clerk/Treasurer or such other employee as becomes aware of the variance, loss, shortage or theft to report the same to the President of the Town Council and to the Clerk/Treasurer, to be placed on the agenda for resolution at the next Town Council meeting.

It is hereby ORDAINED that the materiality threshold at which point the Town of New Richmond reports incidents of material variances, losses, shortages, or thefts to the State Board of Accounts is:

- A. a one-time cash loss of at least \$ 2500.00 or,
- B. a recurring cash loss of at least \$ 500.00 average per month, or,
- C. a value of \$ 2500.00 for a one-time loss of assets, or,
- D. a creation of additional liabilities of at least \$ 1000.00 average per month.

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

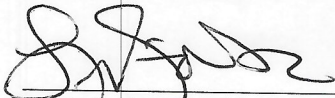
The Town Council will also consider IC 5-11-1-27(1), which requires public officials who have actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds to immediately send written notice of the misappropriation to the State Board of Accounts and the prosecuting attorney.

B. Procedure to Report Material Variances, Losses, Shortages, and Thefts.

BE IT FURTHER ORDAINED that when an irregular variance, loss, shortage, or theft is determined material pursuant to the Town of New Richmond policy on materiality the Clerk/ Treasurer must report the incident to the State Board of Accounts. On the State Board of Accounts' website there is a

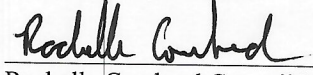
notification link, which allows public officials to report via e-mail material irregular variances, losses, shortages, or thefts. Telephone and in-person reporting is also acceptable. Reports will be followed up with a return e-mail or call to gather additional information as necessary. All reports of irregular variances, losses, shortages, or thefts are maintained by the State Board of Accounts.

PASSED AND ADOPTED this 7 day of February, 2024, by the Town Council of the Town of New Richmond, Montgomery County, Indiana.

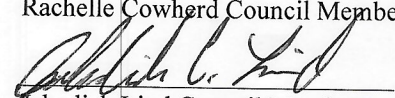


Linda Forbes, President

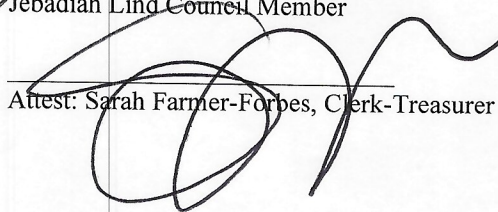
Aye Nay Abstain



Rachelle Cowherd Council Member



Jebadiah Lind Council Member


Attest: Sarah Farmer-Forbes, Clerk-Treasurer