

COMMON COUNCIL OF THE CITY OF HOBART, INDIANA

Resolution Number 2016 - 14

**A Resolution Adopting the Policy of the City of Hobart
to Determine Whether an Erroneous or Irregular Variance, Loss, Shortage or Theft
of Public Funds or Assets is
Material for Purposes of Reporting to the
Indiana State Board of Accounts and the Prosecuting Attorney of Lake County**

WHEREAS, the Indiana General Assembly has previously enacted legislation adding

I.C. §5-11-1-27 (j) to the Indiana Code which states as follows:

(j) 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 General Assembly also enacted as part of the same statute, subsection (l)

thereof which states, as follows:

(l) A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

(1) information obtained as a result of a police report;

(2) an internal audit finding; or

(3) another source indicating that a misappropriation has occurred;

shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision.

And

WHEREAS, the General Assembly enacted Public Law 184-2015, Section 6 of which amended I.C. §5-11-1-27, which, in subsection (b) thereof, required the Indiana State Examiner and Audit Committee of the State Board of Accounts to define for each political subdivision of the State, what erroneous or irregular variances, losses, shortages or thefts of public funds or assets is material, under the definition contained in that section, for purposes of reporting to the Indiana State Board of Accounts and, in some cases described therein, the Prosecuting Attorney of Lake County; and

WHEREAS, Paul D. Joyce, CPA, Indiana State Examiner, by Amended Directive 2015-6 dated April 7, 2016, directed that each political subdivision of the State which includes the City of Hobart, Indiana (“City”), acting by and through its governing body, not later than June 30, 2016, develop and adopt its own policy defining the materiality of those erroneous or irregular variances, losses, shortages, or thefts of public funds or assets of the City which must be reported to the State Board of Accounts pursuant to I.C. §5-11-1-27 (j) quoted above, and

WHEREAS, such policy, pursuant to said directive, is to consider a number of factors including, but not limited to, the cause, frequency, type of asset (whether cash or property assets) involved, and must address the maintenance of documentation and the resolution of incidents that do not meet the City’s materiality threshold; and

WHEREAS, the Council has received the suggestions of the Clerk-Treasurer and the City Attorney concerning the content of such policy, and now wishes to adopt the City's Policy on the Reporting of Erroneous or Irregular Variances, Losses, Shortages, or Thefts of Public Funds or assets and to spread same upon the public record.

THEREFORE, BE IT RESOLVED by the Common Council of the City of Hobart as follows:

SECTION ONE. Definitions. The following definitions, together with any definition applicable by law, shall apply to this Policy:

(a) The term "material" means a significant or consequential amount as specified in Section Three below.

(b) The term "public officer" means any individual who holds, receives, disburses, or is required by law to keep any account of public funds or other funds for which the individual is accountable by virtue of the individual's public office.

(c) The term "misappropriation" means wrongful or improper use including, but not limited to, embezzlement or theft.

SECTION TWO: Misappropriation to be Reported by Public Officers. A public officer of the City who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

- (1) information obtained as a result of a police report;
- (2) an internal audit finding; or
- (3) another source indicating that a misappropriation has occurred;

shall immediately send written notice of the misappropriation to the Indiana State Board of Accounts and the Prosecuting Attorney of Lake County. Such misappropriation must be reported by a public officer of the City under this section in every case, irrespective of whether the misappropriation is material under Section Three of this Policy or not.

SECTION THREE: Disclosure Procedures and Materiality Thresholds.

(a) Subject to sub-sections (b) and (c) of this Section, every employee or inside contractor of the City shall report all erroneous or irregular material variances, losses, shortages, or thefts of funds or property of the City of Hobart, Indiana, which come to his or her attention to the Clerk-Treasurer promptly, and shall do so in writing, stating all facts and describing or attaching all evidence

known by the reporting person concerning the matter. If the report is made orally, the Clerk-Treasurer shall promptly reduce all of the details to writing, and have the report signed by the reporting person. The Clerk-Treasurer or his or her designee shall use all reasonable efforts to determine the source of the reported variance, and may enlist the internal resources of the City, including the Police Department, to assist. The Clerk-Treasurer or his or her designee shall include documentation of the reported variances in monthly bank reconciliations or sub-ledgers to communicate them. If immaterial cash variances exist beyond six months, they will be written off as other disbursements on the City financial statements with a narrative description of the loss. Immaterial variances in other assets, which have been in existence longer than six months, will be included by the Clerk-Treasurer in meeting minutes and the Clerk-Treasurer shall update any associated sub-ledgers (such as the capital asset ledger) for the amounts written off.

(b) It is the policy of the City of Hobart, Indiana to report to the Indiana State Board of Accounts any erroneous or irregular variances, losses, shortages, or thefts of cash in excess of One Hundred and no/100 Dollars (\$100.00). An erroneous or irregular variance, loss, shortage, or theft in excess of this amount shall be deemed “material” under the provisions of this Policy.

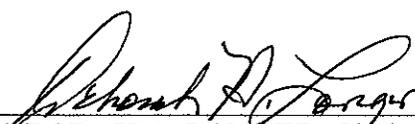
(c) It is the policy of the City of Hobart, Indiana to report promptly to the Indiana State Board of Accounts any erroneous or irregular variance, loss, shortage, or theft of non-cash items in excess of Two thousand five hundred and no/100 Dollars (\$2,500.00), in estimated fair market value. An erroneous or irregular variance, loss, shortage, or theft of non-cash assets in excess of this amount shall be deemed “material” under the provisions of this Policy.

(d) All documents, including reports and evidentiary documents concerning both material and immaterial erroneous or irregular variances, losses shortages or thefts shall be kept in secure files maintained by the Clerk-Treasurer, and retained in accordance with the applicable State government retention rule.

(e) All City elected officials, public officers, employees and agents are directed to comply with this policy.

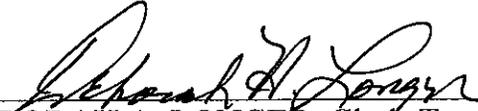
SECTION FOUR: Effective Date. This Policy shall take effect upon adoption, and shall continue in effect until further notice.

ALL OF WHICH is adopted as the Resolution of the Common Council of the City of Hobart on this 1st day of JUNE, 2016..

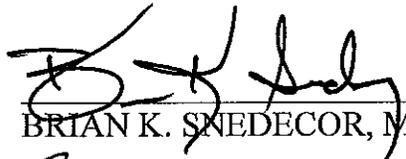
ATTEST: 
DEBORAH A. LONGER, Clerk-Treasurer

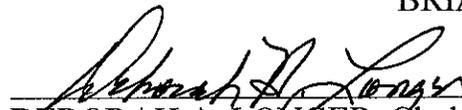

PRESIDING OFFICER

PRESENTED by me to the Mayor of the City of Hobart on the 14th day of NOVE, 2016 at the hour of 8:00 A.M..


DEBORAH A. LONGER, Clerk-Treasurer

APPROVED, EXECUTED and RETURNED by me to the Common Council of the City of Hobart on this 30th day of JUNE, 2016.


BRIAN K. SNEDECOR, Mayor

ATTEST: 
DEBORAH A. LONGER, Clerk-Treasurer