

**AN ORDINANCE CONCERNING THE ADOPTION OF MINIMUM INTERNAL  
CONTROL STANDARDS AND PROCEDURES AND DETERMINING MATERIALITY  
THRESHOLD FOR THE TOWN OF SELLERSBURG, IN**

Ordinance 2016-014

**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,

**WHEREAS**, the town of Sellersburg 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 SBOA.

**NOW, THEREFORE**, be it ordained by the town council of the town of Sellersburg, Indiana, as follows:

**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 the town of Sellersburg and that

all Sellersburg town personnel shall receive training concerning the internal control standards and procedures hereby adopted.

## **SECTION 2. Establishment of Materiality Policy**

Following ordinance 2016-003, the town of Sellersburg hereby establishes the additional Materiality Policy under I.C. 5-11-1-10, I.C. 5-11-1-21, I.C. 5-11-1-27:

Materiality, in the town of Sellersburg, 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 town of Sellersburg are suspected of being misappropriated or stolen or used in a manner not authorized by town officials and the value of those supplies, equipment or fixed assets are approximately \$500.00, 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 the town of Sellersburg 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 Sellersburg town employee knows or has a concern that other Sellersburg town employees are engaged in fiscal misconduct, it is his/her duty to immediately notify their Supervisor or at least 2 members of the Sellersburg town council, or if the Supervisor or a town council member is involved, then notification should be made to the Town Attorney. Following procedure outlined in I.C. 5-11-1-9.5(a)(1), the notification by the individual should be in the

form of a sworn statement [in writing] that the individual believes the allegation to be true. Per I.C. 5-11-1-9.5(b), the town of Sellersburg may not retaliate against an employee of the town of Sellersburg for making a sworn statement on the subject of this materiality policy.

**SECTION 5. EFFECTIVE DATE.**

This Ordinance shall be in full force and effect from and after its passage by the town board of Sellersburg.

First passed by the town of Sellersburg this 11 day of July, 2016.

Final passage by the town of Sellersburg this 25 day of July, 2016.

So Ordained this 25 day of July, 2016

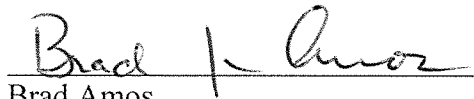
“Aye”

“Nay”



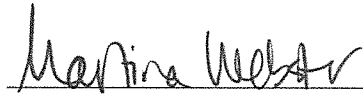
Paul J. Rhodes  
Council President

\_\_\_\_\_  
Paul J. Rhodes  
Council President



Brad Amos  
Council Vice President

\_\_\_\_\_  
Brad Amos  
Council Vice President



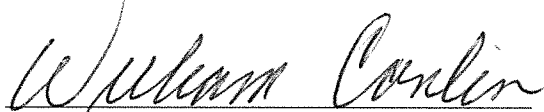
Martina Webster  
Council Member

\_\_\_\_\_  
Martina Webster  
Council Member




Jim LaMaster  
Council Member

\_\_\_\_\_  
Jim LaMaster  
Council Member



William Conlin  
Council Member

\_\_\_\_\_  
William Conlin  
Council Member



Attested by: Michelle Miller  
Sellersburg Clerk-Treasurer