

# Overview of Annual Reporting Requirements/Statements of Financial Interests

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Pursuant to the Public Official and Employee Ethics Act, public officials and employees are required to file a Statement of Financial Interests before May 1 of each year to report, among other things, gifts, transportation, lodging and hospitality and creditor information.

The following is a brief summary of the reporting requirements to consider when completing the Statement of Financial Interests. This summary is not meant to be an exhaustive review of all reporting requirements and public officials and employees with questions should be directed to the State Ethics Commission.

## **Gifts**

The Statement of Financial Interests must include the name and address of the source and the amount of any gifts from a single source valued in the aggregate at \$250 or more and the circumstances of each gift.

*“Gift.”* –Anything which is received without consideration of equal or greater value. The term shall not include a political contribution otherwise reportable as required by law or a commercially reasonable loan made in the ordinary course of business. The term shall not include hospitality, transportation or lodging.

## **Transportation, Lodging and Hospitality**

The Statement of Financial Interests must also include the name and address of the source and the amount of any payment for (or reimbursement of) actual expenses for transportation and lodging or hospitality received in connection with public office or employment where such actual expenses for transportation and lodging or hospitality exceed \$650 in an aggregate amount per year from a single source. This paragraph shall not apply to expenses reimbursed by a governmental body or to expenses reimbursed by an organization or association of public officials or employees of political subdivisions which the public official or employee serves in an official capacity.

*“Hospitality.”* –Includes all of the following:

- (1) Meals.
- (2) Beverages.
- (3) Recreation and entertainment.

## **Income**

The following sources of income are subject to disclosure on the Statement of Financial Interests:

- (a) The name and address of a direct or indirect source of income, including employers, in the aggregate of \$1,300 or more, unless the disclosure would require the divulgence of confidential information protected by statute or existing professional codes of ethics or common law privileges.

- (b) Income from the securities of a particular business equaling or exceeding the reporting threshold, capital gains and dividends equaling or exceeding the reporting threshold shall be listed.
- (c) If the income generated equals or exceeds the reporting threshold, mutual funds and other financial plans for individuals may be reported as a single source if the individual has no authority to buy or sell particular assets in the fund.
- (d) An individual or an individual and a spouse who has an investment portfolio, with a broker, other than a mutual fund, shall list individually the income from each asset to which subsection (b) applies if the asset may be bought and sold by the individual or by the individual and a spouse.

### **Conflicts of Interest**

Closely tied to the reporting requirements in the Ethics Act is the prohibition of any activity by a public official that would constitute a conflict of interest.

Definition: The use by a public official...of the authority of his office...for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated. The term does not include an action having a *de minimis* economic impact.

- No person shall offer or give to a public official...anything of monetary value...based on the offeror's...understanding that the vote, official action or judgment of the public official...would be influenced thereby.
- No public official...shall solicit or accept anything of monetary value...based on any understanding of that public official...that the vote, official action or judgment of the public official ...would be influenced thereby.

### **PRACTICAL ADVICE**

- The unconditional receipt of gifts, lodging, transportation and/or hospitality (collectively, "gratuities") by public officials is not prohibited.
- Whether the receipt of gratuities by a public official constitutes a conflict of interest or improper influence is highly fact-specific.
- Gratuities of significant value will be more critically viewed than those of lesser value.
- Receipt of such gratuities in temporal proximity to anticipated official action by the public official likely will invite higher scrutiny.
- Accepting gratuities from existing vendors is least likely to be viewed as improper influence.
- Public officials and employees must be sure to make all required disclosures of reportable gifts, transportation, lodging and hospitality on their annual Statement of Financial Interests forms.
- Review financial records to ensure that all sources of income which are subject to disclosure are identified on your Statement of Financial Interests forms.

For more information, contact Gavin Robb or any other member of the Municipal and School Group.