

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SPECIAL REPORT  
OF

CLERK-TREASURER  
TOWN OF FORTVILLE  
HANCOCK COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
09/20/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Margie I. Manship	01-01-04 to 12-31-07
Town Manager	Joe Renner	02-01-05 to 12-31-07
President of the Town Council	Stephen Gipson Terry Treon Phillip K. Scrogham	01-01-05 to 12-31-05 01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Utilities	Joe Renner	02-01-05 to 12-31-07
Utility Office Managers:		
Water and Wastewater Utilities	Rebecca Davis	01-01-05 to 12-31-07
Storm Water Utility	Tammy Gilbert	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF FORTVILLE

We have audited the records of the Town of Fortville for the period from January 1, 2005 to December 31, 2006, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Audit Report of the Town of Fortville for the period January 1, 2005 to December 31, 2006.

STATE BOARD OF ACCOUNTS

July 23, 2007

CLERK-TREASURER  
TOWN OF FORTVILLE  
HANCOCK COUNTY  
AUDIT RESULTS AND COMMENTS

SALARY AND WORKER'S COMPENSATION PAID

Officer Richard Willman was injured at work during 2006. Audit documentation provided upon request indicated no time sheets for the period March 23, 2006 to July 20, 2006. The Town continued to pay Officer Willman his full pay for that time period. Those payments totaled \$8,454.80. Worker's Compensation benefits for the time period of April 12, 2006 to July 19, 2006, were also paid to Officer Willman. Those payments totaled \$6,373.62. The Worker's Compensation benefits were turned over to the Town on September 14, 2006. There was no directive from the Town Council to keep Officer Willman on the payroll for the duration of his injury.

Subsequent to multiple audit requests, documents were provided at the exit conference indicating 3.99 hours per shift of Paid Time-Off was used to supplement his Worker's Compensation benefits.

Based on payroll records originally provided by the Clerk-Treasurer's Office and the Town's personnel policy, leave time earned was inaccurately calculated; as well as improperly carried forward from prior years. A computation of leave balances indicated there was not sufficient leave balance to support the use of these hours. The leave time used was reduced from current leave balances to support payment to Officer Willman at his full pay. This leave time used ultimately caused his leave balance to be negative (See Comment, Service and Earning Records/Leave Balances). Additionally, the Town Council did not take action to support this endeavor.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit should adopt written policies regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS OVERPAYMENTS

Alan Manship was a Police Officer for the Town of Fortville. He passed away July 14, 2006. At the time of his death the Police Department's time sheets indicated he had a balance of 24 hours of sick leave. The Clerk-Treasurer, Margie I. Manship, who was also the decedent's wife, inappropriately kept Alan Manship on the payroll until the pay period ending August 19, 2006. This represented two full payrolls and half of another which totaled \$3,906.85.

In October 2006, records maintained by the Chief of Police indicated a cumulative time record, which at the time of Alan Manship's death had accumulated 532.25 hours of paid time-off (PTO); which is from holidays, vacation, sick and personal leave and overtime. The Chief presented this to the Town to pay his widow, Margie I. Manship, who is also the Clerk-Treasurer for net hours of 388.25; Alan Manship's accumulated hours 532.25 less the current years vacation hours of 144. The Town's personnel policy does

CLERK-TREASURER  
TOWN OF FORTVILLE  
HANCOCK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

not authorize the accumulation of hours, except for sick leave; nor does it call for payments upon separation. Therefore, he should not have been entitled to a lump sum payment for the accumulated hours. The amount of this distribution was \$6,544.46, which was processed through the payroll system in a lump sum payment, made to his widow. Alan Manship was entitled to 24 hours of sick leave at the time of his death from this distribution. This makes the net amount overpaid from this distribution \$5,926.35.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We have requested that Margie I. Manship, widow of Alan Manship and Clerk-Treasurer, repay the compensation and benefits overpayments of \$9,833.20. (See Summary, page 11)

AUDIT COSTS - CONDITION OF RECORDS

Additional audit time was incurred to compute the compensation paid for an officer on worker's compensation, compensation paid in excess of what was due a deceased employee, improperly computed compensation paid to officers and inaccurately computed leave time balances.

This resulted in additional audit costs of \$13,897.67.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SERVICE AND EARNINGS RECORDS/LEAVE BALANCES

In 2005, several employee service records were not maintained and presented for audit. In 2006, earnings records were not maintained and presented for audit for any employee, but service records were maintained and presented.

A review of the service records presented for audit noted two errors. First, leave balances (i.e. vacation, compensatory, holiday, and sick) were being accumulated and carried forward to the next year. Per the personnel policies set forth by the Town these leave times were to be used in the year earned or lost, with the exception of sick time which can accrue to a maximum of 480 hours for all Town employees with the exception of police officers whom can accrue up to 507 hours. Second, compensatory time was earned when it should not have been. The Town's policy states in part that compensatory time is to be tracked daily but is only earned if the hours worked exceeds 40 hours for Town employees or 144 hours for police officers. Hours worked include holidays but do not include hours not worked due to the use of other leave time being utilized. However, employees were accumulating compensatory time when more than 8 hours were worked in a day, even when hours worked for a week did not exceed 40 or 144 whichever applied.

CLERK-TREASURER  
TOWN OF FORTVILLE  
HANCOCK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Leave balances for all Town employees were recalculated. The results showed the following employees owe the Town time back as indicated in hours:

<u>As of May 26, 2007</u>		<u>As of May 4, 2007</u>	
<u>Employee Name</u>	<u>Hours Due Town</u>	<u>Employee Name</u>	<u>Hours Due Town</u>
S. Messer	77.50	P. Bratton	10.375
C. Hartman	61.125	B. Kiphart	152.50
B. Scruggs	64.25	G. Garner	133.75
T. Shaw	72.50	D. Shelley	129.75
D. Thompson	19.75	R. Willman	155.75
D. Bowling	15.25	M. Fuller	94.75
D. Anderson	73.75		
D. Mills	17.50		
K. Cross	2.50		
M. Shephard	22.625		
J. Renner	18.75		
M. Lyons	183.00		

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit should adopt written policies regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INACCURATE CALCULATION OF COMPENSATION

The salary ordinance set forth by the Town shows a yearly salary amount per employee. In order to process the bi-weekly payroll the Clerk-Treasurer breaks down each individual's pay into 26 periods.

The police officers work 144 hours every 24 days. In order to convert this to a bi-weekly pay, the number of days worked in a calendar year is multiplied by 12 hours a day. Then this is divided by 26 to account for the bi-weekly paychecks.

The calculations made by the Clerk-Treasurer for 2005 resulted in overpayments and for 2006 resulted in underpayments. The net difference is \$9,453.22, which is due to each individual officer as noted below:

A. Manship	\$ 1,243.48
G. Garner	1,583.26
R. Willmam	1,574.42
B. Kiphart	2,371.78
D. Shelley	1,361.28
M. Fuller	1,319.00
	<hr/>
Total	<u>\$ 9,453.22</u>

CLERK-TREASURER  
TOWN OF FORTVILLE  
HANCOCK COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

The amount of \$1,243.48 owed to Alan Manship is shown as a credit in the Summary.

(See Summary, page 11)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER  
TOWN OF FORTVILLE  
HANCOCK COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 23, 2007, with Phillip K. Scrogam, President of the Town Council; Stephen Gipson, former President of the Town Council; Sean Simmons and Ron Stafford, Town Council members; and Joe Renner, Town Manager. The official response has been made a part of this report and may be found on page 9.

The contents of this report were discussed on July 23, 2007, with Margie I. Manship, Clerk-Treasurer. The official response has been made a part of this report and may be found on page 10.

# **OFFICAL RESPONSE**

## **TO 2007 STATE BOARD OF ACCOUNTS AUDIT TOWN OF FORTVILLE, IN**

### **SALARY AND WORKMEN'S COMPENSATION PAID**

The action taken in this matter was NOT known by the Fortville Town Council and not authorized by the Council. This action was taken by the Clerk-Treasurer on her own and again WAS NOT AN AUTHORIZED legal transaction. Town funds were wrongfully paid. Officer Willman did state in the exit that he had knowledge that what happened was not proper.

### **COMPENSATION AND BENEFITS OVERPAYMENTS**

The Fortville town clerk-treasurer has held the position for excess of twenty five years. The clerk-treasurer knowingly committed misappropriation of town funds to herself. Clerk-Treasurer Margie Manship should be held to civil restitution of the funds back to the Town of Fortville and this matter be referred to the appropriate prosecuting authority for criminal investigation and prosecution.

### **AUDIT COSTS**

These additional costs (\$16,657.49) should be repaid the Town of Fortville by the Clerk-Treasurer Margie Manship. The clerk-treasurer is by law responsible for keeping good and accurate records which was not done and this also was reflected in previous audits.

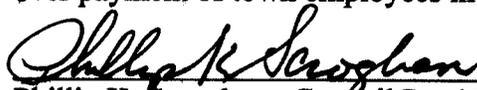
### **SERVICE AND EARNING RECORDS**

The town accepts partial responsibility for these problems but again the clerk-treasurer is responsible to assure all records are correct also.

The hours owed by town employees will be addressed by the town after seeking information from the state board of accounts as to how to solve the problem with the least hurt to the affected town employees.

### **IMPROPER CALCULATION OF COMPENSATION**

This action was made by Clerk-Treasurer Margie Manship, who has more than twenty five years in her position and should not have happened. These costs (\$9,453.22 owed to the Police Dept. employees) should be the responsibility of the clerk-treasurer. It leaves one to wonder since the audit goes back only two years, 2005 and 2006, about loss or over payment of town employees in previous years.

  
Phillip K. Scrogam, Council President  
Town of Fortville

September 10, 2007

State Board of Accounts  
302 W. Washington St, Room E418  
Indianapolis, In 46204-2765

Re: overpayment of compensation

Due to the fact that auditors have decided that employees are not entitled to carry over time earned from the previous years,(as the supervisors have done and have told employees that they have the time coming), I have refigured time for Mr. Manship for 2006, to include time worked, vacation, personal days and paid time off. All employees are entitled to be paid for compensation earned for the year before leaving employment. He is entitled to be paid for 1488 hours at a rate of \$18.58 per hour as per salary ordinance for 2006. This amounts to \$27647.04. The W-2 for 2006 shows he was paid \$33111.04 because of being paid for accumulated time. Difference of \$5464.00. Auditors determined he was underpaid (of which I have no confirmation as to how they arrived at this) in the amount of \$1202.84, which I am subtracting from the amount owed. Amount of difference \$4261.16.

I would welcome any confirmation and details as to how these amount were determined. The town council approved all claims that were presented and this was included in the claims presented to them. I am not sure why employees were not allowed to carry over time in 2005 when they have been allowed to carry over time for the last several years. Audits have been done in the past and this was never a problem.

I would also like to know the disposition of compensation for Angela Spence Willard. Meeting minutes approved a part time position be hired for 4-8 hours per week.

I am also being told that the officers are owed money from previous years, but they owe the town for hours that were used that they did not have. I would like confirmation as to how these hours and wages were figured so that this can be handled as soon as possible. I do not think it is unreasonable to ask for details as to the amounts that are in question. Town council members have not responded to any of the comments of the audit. Their response will determine the outcome of this audit.



Margie I. Manship  
Clerk-Treasurer  
Town of Fortville

CLERK-TREASURER  
TOWN OF FORTVILLE  
HANCOCK COUNTY  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Margie I. Manship, Clerk-Treasurer (Alan Manship):			
Compensation and Benefits Overpayments, pages 4 and 5	\$ 9,833.20	\$	\$
Inaccurate Calculation of Compensation, pages 6 and 7	<u>                    </u>	<u>1,243.48</u>	<u>                    -</u>
Totals	<u>\$ 9,833.20</u>	<u>\$ 1,243.48</u>	<u>\$ 8,589.72</u>

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AFFIDAVIT

STATE OF INDIANA )  
                                  )  
HANCOCK COUNTY)

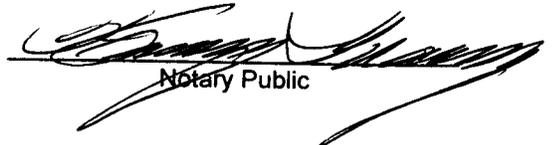
We, Eileen R. Blanke and Amber L. Platt, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Fortville, Hancock County, Indiana, for the period from January 1, 2005 to December 31, 2006, is true and correct to the best of our knowledge and belief.

  
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Field Examiners

Subscribed and sworn to before me this 6<sup>th</sup> day of September, 2007.

  
\_\_\_\_\_  
Notary Public

**NANCY C. TRACY**  
My Commission Expires: **NOTARY PUBLIC STATE OF INDIANA**  
**HANCOCK COUNTY**  
County of Residence: **MY COMMISSION EXP. AUG. 14, 2008**