

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF MARTINSVILLE

MORGAN COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
02/11/2022



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Valerie Hugart Rebecca J. Tumey	01-01-15 to 05-01-17 05-02-17 to 12-31-22
President of the Board of Public Works	Phil R. Deckard, Sr. Shannon E. Kohl Kenneth Costin	01-01-15 to 12-31-15 01-01-16 to 12-31-19 01-01-20 to 12-31-22
President Pro Tempore of the Common Council	Eric Bowlen (Vacant) Phil R. Deckard II	01-01-15 to 06-08-20 06-09-20 to 07-12-20 07-13-20 to 12-31-22



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF MARTINSVILLE, MORGAN COUNTY, INDIANA

This report is supplemental to our audit report of the City of Martinsville (City), for the period from January 1, 2015 to December 31, 2018. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statements Audit Report of the City, which provides our opinion on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

August 1, 2019

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CLERK-TREASURER  
CITY OF MARTINSVILLE

CLERK-TREASURER  
CITY OF MARTINSVILLE  
AUDIT RESULT AND COMMENT

**SEVERANCE PAY**

*Condition and Context*

In January 2017, former City of Martinsville Clerk-Treasurer Valerie Hugart (Hugart) was contacted by former City Attorney Dale Coffey (Coffey) concerning a possible severance agreement.

On April 3, 2017, the Common Council adopted Resolution 2017-474 requesting Hugart "resign from her position immediately." Minutes from the May 1, 2017 meeting of the Common Council state Coffey suggested to the Common Council "an offer of \$38,000 may persuade Hugart to resign." At the Common Council meeting on May 1, 2017, a motion to offer Hugart \$38,000 was passed by a vote of 4-2, with one abstention.

Hugart resigned effective May 1, 2017, stating in her resignation letter that she would receive "separation compensation" in the amount of \$38,000 and sixty days of group health coverage. On May 2, 2017, the City issued Hugart a check in the amount of \$38,000.

We are not aware of any statutory authority for the Martinsville Common Council to pay such a severance arrangement. We inquired of City officials if a written legal opinion from an attorney concluding the severance payment authorized by the Common Council complied with all laws. No such written legal opinion was presented for audit.

Because we are not aware of any authority for a severance payment and because the payment was not supported by the written legal opinion of the City Attorney stating the payment was in accordance with all laws, the \$38,000 payment to Hugart is considered a questioned cost.

*Criteria*

Unless specifically authorized by law, severance pay, or other payments to employees upon separation from employment, must be supported by the written opinion of the attorney for the unit stating that the payments are in accordance with all laws, including IC 35-44.1-1-3, and a properly enacted Home Rule ordinance/resolution. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER  
CITY OF MARTINSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on August 1, 2019, with Rebecca J. Tumey, Clerk-Treasurer; Shannon E. Kohl, Mayor/President of Board of Works; Mike Lanam, Common Council member; Phil R. Deckard II, Common Council member; Ben Merida, 1<sup>st</sup> Deputy Clerk-Treasurer; and Anne Cowgur, City Attorney.

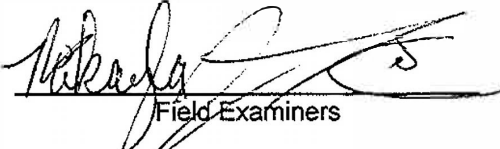
CLERK-TREASURER  
CITY OF MARTINSVILLE  
SUMMARY OF QUESTIONED COSTS

	<u>Questioned Cost</u>
Valerie Hugart, prior Clerk-Treasurer: Severance Pay, page 6	<u>\$ 38,000</u>


AFFIDAVIT

STATE OF INDIANA            )  
  )  
Putnam COUNTY)

I, Mikayla J. Kinneer, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Clerk-Treasurer, City of Martinsville, Indiana, for the period from January 1, 2015 to December 31, 2018, is true and correct to the best of my knowledge and belief.

  
Field Examiner

Subscribed and sworn to before me this 20 day of September, 2019.

  
Clerk of the Circuit Court

