

THOMAS M. SALMON, CPA, CFE
STATE AUDITOR



STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

TO: Vermont General Assembly

FROM: Thomas M. Salmon, CPA, CFE, Vermont State Auditor *JMS*

DATE: June 25, 2012

SUBJECT: Act 155

As required by Act 155, the Auditor of Accounts has consulted with the Vermont League of Cities and Towns, the Vermont School Boards Association, and the Vermont Association of Business Officials to produce a document designed to determine the internal financial controls in place to insure proper use of all public funds by municipal and schools officials. These documents are: (a) the Financial Management Questionnaire for Municipalities and (b) the Financial Management Questionnaire for Schools Districts, Supervisory Unions and Supervisory Districts. These documents have been posted on the Auditor of Accounts web site and are identified as the "Vermont State Auditor's Red Flag Checklists." Also added to the web site is a spreadsheet summarizing all embezzlements against any agency or department of the state committed within the last five years.

Financial Management Questionnaire - Vermont Auditor's Office

Municipal

	Yes	No	Don't know	By whom
Are all town account records currently maintained by one individual?				
Do you reconcile bank and ledger balances monthly?				
Are checks always written to specified payees and not to cash?				
Does the same individual open the mail and deposit checks ?				
Are pre-numbered checks used for all bank accounts?				
Are unopened bank statements delivered directly to the treasurer as received ?				
Have you borrowed money from the town ?				
Have selectboard members attended financial trainings ?				
Are bank statements reconciled on a regular basis ?				
Does someone other than the treasurer review bank reconciliations ?				
Have you deposited town monies anywhere other than a town account ?				
Have you deposited any non-town monies into a town account ?				
Is interest in town accounts apportioned to each account ?				
Have there been any changes in authorized signatures during the fiscal year ?				
Has a signature stamp ever been used for any town account ?				
Has there ever been a theft, or unauthorized use of town funds or equipment?				
Are financial records maintained in a computerized system ?				
Does the town have written policies and procedures for financial operations ?				
Does each town official have copies of these policies and procedures ?				
Have you attended trainings on recordkeeping ?				
Are checks written by the same individual who approves payments ?				
Are you a participant in any business which does business with the town ?				
Do you maintain separate pages, columns or running balances for each fund ?				
Do elected town auditors attend financial trainings ?				
Are bank accounts and fund balances reconciled on a monthly basis ?				
Does the town loan money to town employees ?				

As a signer below I certify to the best of my knowledge that the answers provided in this self-assessment questionnaire are an accurate representation of the operation of the Town/City of: _____, Vermont.

Preparer: (signature) _____ (printed name): _____ Title: _____

Financial Management Questionnaire - School Districts, Supervisory Unions, Supervisory Districts

	Yes	No	Don't know	By whom
Do you know by whom the following is maintained?				
School District Checkbook				
School District receipts				
Student Activity Cash/Check receipts				
School District payments:				
Payroll				
Accounts Payable				
Bank Deposit slips				
Bank reconciliations				
Are the all bank statement and ledger balances reconciled monthly, by whom?				
Does someone other than the treasurer review bank reconciliations ?				
Are checks always written to specified payees and not to cash?				
Are financial records maintained in a computerized system ?				
Are all payees registered in accounting software?				
Are all invoices, original, on vendor letterhead or format, with individual invoice number?				
Are all payments recorded and mailed with notation to the associated invoice number?				
Does the School District hold current W9 forms for all vendors?				
Does the same individual open the mail and deposit checks ?				
Are pre-numbered checks used for all bank accounts?				
Are unopened bank statements delivered directly to the treasurer as received ?				
Have you borrowed money from the School District ?				
Do you know of anyone who has borrowed money from the School District?				
Have School Board members attended financial trainings ?				
Do the financial accounting personnel take regular vacations?				
Have you deposited School District monies anywhere other than a School District account ?				
Have you deposited any non-School District monies into a School District account ?				
Is it common practice for staff members to rotate responsibilities or cross train periodically?				
Are student activity receipts deposited within 48 hours of the event?				
Have you experienced a therft or embezzlement during the last five years?				
Does the School District have written policies and procedures for financial operations ?				
	Yes	No	Don't know	By whom

Does each Town and School District official have copies of these policies and procedures ?				
Is there a standard procedure to ensure that gate receipts reflect the event's attendance?				
Is interest in School District accounts apportioned to each account ?				
Have there been any changes in authorized signatures during the fiscal year ?				
Has a signature stamp ever been used for any School District account ?				
Do you have prenumbered receipt books for cash payments ?				
Have you attended trainings on recordkeeping ?				
Are any School District financial records maintained in manual form ?				
Do you maintain separate pages, columns or running balances for each fund ?				
Are checks written by the same individual who approves payments ?				
Do you participate in any business which does business with the School District?				
Does any employee that you know of participate in any organization as a vendor?				
Have you questioned if the lifestyle of any associate reflects their normal income?				
Are bank accounts and fund balances reconciled on a monthly basis ?				
Does the School District loan money to town employees ?				

As a signer below I certify to the best of my knowledge that the answers provided in this self-assessment questionnaire are an accurate representation of the operation of the supervisory union, supervisory district, or school district of _____, VT.

Preparer: _____

Printed Name: _____

Title: _____

Incidents of Fraud and/or Embezzlement against agencies and departments that receive funding from the State of Vermont - 2007-2012

Entity	Date of event	Amount	Resolution	Notes
Town of Ira	1990s to 2009	\$350,000	Donald Hewett was sentenced to 27 months in prison.	
Town of Isle La Motte	2002 - 2007	\$100,000	Suzanne LaBombard paid \$150,000 restitution (\$50,000 for legal fees); served 90 days in prison.	
Vermont Dept. of Children & Families	2004-09	\$490,471	Kathy Latagne was sentenced to 33 months in prison; ordered to repay \$490,471. Her sister, Deborah Tuller, is serving a 13-month sentence in federal prison for her role as co-conspirator.	
Enosburg, Main Street Cemetery Association	July 2004 - September 2011	\$25,000	Gail Ovitt of Enosburg Falls pleaded guilty on 4/9/12 and was ordered to pay full restitution; received a five-year suspended sentence.	
Bethel/Royalton Dump	January 2005 - November 2010	\$173,000	Tonya Drury of Randolph was sentenced to 1 year in prison; ordered to pay restitution of \$168,000.	
Algiers Fire District 1 and the town of Guilford	2007 - March 2011	\$84,000	The case is pending.	
Chittenden Central Supervisory Union	April 2007-Aug. 2009	\$13,041.74	Anne O'Neil made full restitution, pleaded guilty to 2 charges of petty larceny, was sentenced to 6-12 months suspended sentence, 40 days probation. SU changed policy that original bank statements must accompany reports. Annual audits are conducted.	
Rutland Central Supervisory Union	August 23, 2007 - July 31, 2009	\$118,385.17	Loss claim was filed with SU insurance company and the money was repaid in full. Deborah Clough was convicted and sentenced and ordered to pay restitution of \$130,935.43.	

Addison Northeast Supervisory Union	April 2008 - February 2009	\$41,746.91	Amy Cousino pleaded guilty and arrangements were made for complete restitution of funds.	
Washington Central Supervisory Union	October 10, 2008	\$1,028.29	Computer equipment stolen from Calais Elementary School. Never solved.	
Caledonia North Supervisory Union	2009	\$4,500	New phone system was installed; company did not put the out-of-country block on so SU was charged with \$11,000 in calls due to hacker in the system. \$4,000 removed by vendor, sued and received \$2,500. Switched back to old phone system due to poor service.	
Windsor Southeast Supervisory Union	May 2009-2010	\$1,649	Jennifer Congdon was fired 5/19/2010 from her position as school secretary and charged. She made restitution of \$1,000.	
Southwest Vermont Supervisory Union	November 2010	\$3,103.00	Arrest warrant was issued, and it is suspected the former employee is now living in Canada.	
Washington Central Supervisory Union	November 21, 2010	\$1,000.00	East Montpelier Elementary School keys were stolen from principal's car. All locks were changed costing \$1,000.	
Project Against Violent Encounters, Bennington	2011	\$22,000	Deborah Stanlewicz of Pownal was sentenced to 9 months in prison.	
Burlington School District	Spring 2011	\$605.25	Tianna Tomasi was prosecuted. SU expects repayment.	
Winooski School District	April & May 2011	\$1,563.71	Employee was released from the secretarial portion of the job but retained her position as instructional assistant. Case was referred to the Winooski Community Justice Center and handled by Reparative Board. Employee completed the Reparative Board requirements on 6/21/11.	<i>All records of the Winooski Community Justice Center are sealed and the name cannot be released.</i>

Washington Central Supervisory Union	September 1, 2011	Unknown	Items missing from U-32 High School. The case is pending.	
Washington South Supervisory Union	October 26, 2011	\$137,728.84	All bank accounts changed, internal controls put in place to monitor all account activity. Implemented a stand-alone computer and dual approval controls for all ACH transactions, increased anti-virus guards. Payroll clerk has new computer, e-mail address and passwords.	