

Town of Coventry, Vermont
Summary of Scope of Work and Findings
March 2017

SCOPE OF WORK

- 1 - INSURANCE CLAIM APPLICATION WORK SHEET FOR CLAIM REQUEST FOR FIDELITY COVERAGE LOSSES
- 2 - ALL PROPERTY TAX BILLINGS FOR THE TOWN OF COVENTRY FOR THE YEARS 2004 - 2016, WHILE CYNTHIA DIAZ SERVED IN ELECTED OFFICE(S)
- 3 - ALL DEPOSITS TO COMMUNITY NATIONAL BANK, SPECIFICALLY BELIEVED TO BE FOR PROPERTY TAX PAYMENTS (NOT LANDFILL FEES OR TOWN CLERK FEES) BY FISCAL YEAR
- 4 - CAPTURE ALL STATE PAYMENTS REMITTED TO SCHOOL DISTRICT ON BEHALF OF ELIGIBLE COVENTRY TAXPAYERS, BY FISCAL YEAR
- 5 - COMPARE GRAHAM RESULTS WITH PUBLISHED ANNUAL TOWN REPORTS AS PREPARED BY CYNTHIA DIAZ IN HER ELECTED POSITION ROLE(S)
- 6 - IDENTIFY RATIOS AND STATISTICAL PERCENTAGES DURING THE YEARS WHEN DEPOSIT TICKET COPIES WERE PROVIDED (2009 - 2016)
- 7 - PROVIDE ADEQUATE BASIS FOR EXTRAPOLATION OF STATISTICS FOR INSURANCE CLAIM CONSIDERATIONS

1 - INSURANCE CLAIM WORK SHEET

During the course of our forensic investigation we discussed the use of known, actual data from 1/1/2009 - 12/31/2016 to assist in the assertion that funds were missing from town accounts for the years 2004 - 2008, while Cynthia Diaz was serving in her elected position. This claim is backed up by the Ann Marie Mooney, CPA, CFE and James Taylor, CFE forensic investigation conclusions provided at least orally to the Board of Selectmen. Additionally, we interviewed James Taylor, CFE. Mr. Taylor recalls many components of the forensic investigation including a verification of results and opinions. Further, during 2009 the Vermont Attorney General and the CPA firm of Sullivan and Powers performed another forensic investigation of Cynthia Diaz in her capacity as an elected Official in Coventry. These reports have recently been provided to us for our review and analysis. Each report depicted Missing Funds during the years after the Ann Marie Mooney CPA CFE report years. We use these reports as a reasonable basis for the Town request for insurance coverage.

The Claims division of the Vermont League of Cities and Towns attended a meeting in Coventry during 2016. Ms. Kelly Knindestin, VLCT Claims Manager tentatively approved a summary document, similar to the document attached to this report, for VLCT consideration and potential claims agreement

2 - ALL PROPERTY TAX BILLINGS DURING THE YEARS 2004 - 2016

As discussed in # 1 above, this summary depicts the theoretical gross Education Tax (no Municipal Taxes are required to be raised in Coventry) billings, by fiscal year, to property owners of record during the years from March 2004 through December 2016.

The purpose of this summary is to provide all interested parties with the gross billings to Taxpayers, before Delinquent Penalty assessments or per month interest charges, for those Taxpayers paying after the November due date, in any fiscal year. This is an important distinction because Ms. Diaz is on record stating that all late paying Taxpayers have always been changed the VSA determined 8 % penalty and monthly 1 % interest charges. We have not altered any deposit amount for the unknown penalty or interest payments made by these Taxpayers. If we obtain this information (contained on a thumb drive in the possession of Cynthia Diaz) we can amend this summary to reduce the Education Tax payments and increase the penalty and interest collection amounts. The net effect of this action would be to increase the Funds Missing amount stated herein at \$ 876,383.76.

Cynthia Diaz was first elected as Town Clerk and Town Treasurer (and maybe Delinquent Tax Collector) in March 2004, per information provided to us by the current Board of Selectmen. Accordingly, our summary contained data and calculations for those years.

3 - ALL DEPOSITS TO COMMUNITY NATIONAL BANK (FOR EDUCATION TAX BILLINGS ONLY) FROM 1/1/2009 - 12/31/2016

From discussions with an Officer at the Community National Bank it appears all Coventry account information is not available in an electronic format before 1/1/2009. We therefore chose to use 1/1/2009 as our starting place for this evidence gathering.

Each deposit during the years listed above were scrutinized and double checked for scope accuracy and amount accuracy. Only the deposits believed to be in payment of Education taxes are included in the fiscal year columns attached to this summary

These fiscal year deposit amounts were used to calculate if any missing funds were identified in a fiscal year.

4 - CAPTURE ALL STATE PAYMENTS PAID ON BEHALF OF TAXPAYERS

As noted in # 3 above, these payments were received and noted as account balance reductions before assessing if any funds were missing in any fiscal year. We verified these amounts in the New England Municipal Resource Company software program in cooperation with the Select Board Administrator, Amanda Carlson.

5 - COMPARE GRAHAM RESULTS WITH PUBLISHED ANNUAL REPORT AMOUNTS

Each year Cynthia Diaz in one of her elected positions publishes the Annual Town Report to Coventry taxpayers. We listed the Annual Town Report disclosure amounts in contrast to our summary and findings. The methodology used and the amounts reported by Cynthia Diaz do not match our findings. Accordingly, we believe Annual Town Reports are incorrect.

6 - IDENTIFY RATIOS AND STATISTICAL PERCENTAGES FOR EXTRAPOLATION PURPOSES

As noted above, deposit slips were available and used to list actual Education Tax payments deposited to the Community National Bank. No other Bank is used by the Town of Coventry for purposes of tax collections.

During the period from 1/1/2009 - 12/31/2016, on average, the Town experienced a .0729 ratio of Missing Funds. This Ratio was then used to calculate the possible Missing Funds for the above mentioned period from 2004 - 2008 when deposit tickets were not available for exact comparison

7 - PROVIDE AN ADEQUATE BASIS FOR USE OF A RATIO TO EXTRAPOLATE MISSING FUNDS FOR THE 2004 - 2008 YEARS

During the period from 2004 - 2008 the Town billed Taxpayers \$ 5,849,807 for Education Taxes. During that period State Payments equaling \$ 782,691.00 were received on behalf of Coventry Taxpayers. We are unable to verify if \$ 4,697,724.00 was deposited from Taxpayer payments since the electronic records are not available currently. We then used these amounts to extrapolate the possible Missing Funds for these stated years, at the .0729 Ratio stated above.

We gathered evidence during our forensic investigation to properly document the Gross Education Tax billings to Coventry Taxpayers. We also gathered evidence to support the amount of State Payments made on behalf of Coventry taxpayers.. We requested the assistance of Community National Bank to determine the Education Tax deposits found in the account during the period 1/1/2009 to 12/31/2016.

The resulting sum of Missing Funds is equal to .0729 of those Education Taxes billed during the period 1/1/2009 to 12/31/2016.

SUMMARY:

The amount of Missing Funds between 1/1/2009 and 12/31/2016 is \$ 583,991.76.

The extrapolated Missing Funds during the period 2004 - 2008 is \$ 369,392.00

A reasonable estimate of the Delinquent Taxes due the Town of Coventry as of 12/31/2016 is \$ 77,000.00, based on our tests and summaries during our investigation.

The total of the Missing Funds as of December 31, 2016 is \$ 876,383.76 before collected and deposited penalty assessments and interest on late payments.

2009-2010	2008-2009	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
DEPOSITS	DEPOSITS	DEPOSITS	DEPOSITS	DEPOSITS	DEPOSITS	DEPOSITS	DEPOSITS
2,624.65	4,394.75	4,366.00	1,224.05	14,583.84	449.06	19,643.13	978.00
6,528.00	198,249.98	18,067.05	1,580.82	24,548.04	2,789.76	29,646.50	2,476.00
3,781.00	1,393.31	210.18	100.00	10,618.29	1,284.84	6,531.53	50,415.55
214,310.33	1,326.00	24,479.46	19,578.28	8,714.85	2,210.00	4,951.67	2,627.48
1,790.00	1,326.00	15,891.32	5,562.69	6,472.05	31,344.67	2,616.15	1,544.48
6,741.00	3,114.83	600.00	2,491.72	8,610.89	400.00	27,773.68	7,829.02
7,938.64	4,602.87	28,962.53	2,089.53	30,729.47	9,114.22	1,784.36	6,773.77
16,484.56	21,201.98	13,662.37	3,732.59	13,602.51	22,388.11	39.80	11,559.01
16,985.77	2,839.50	86,224.42	20,340.32	4,985.32	42,304.59	200.00	47,070.94
1,772.00	15,499.25	235,746.75	17,226.38	37,030.36	9,678.64	1,000.00	10,174.40
3,376.01	24,561.61	41,598.09	10,324.06	201,143.25	2,910.00	569.54	10,175.00
14,240.62	19,588.23	28,750.04	300.00	137,554.10	2,403.05	1,500.00	55,508.87
39,376.15	32,515.04	46,820.36	18,787.68	19,670.31	38,732.01	350.00	19,251.42
6,550.00	19,909.58	22,783.96	54,639.49	16,245.18	36,969.91	2,717.48	15,599.95
32,816.24	26,994.39	67,662.75	17,035.09	44,215.12	3,986.69	22,615.14	38,974.71
35,199.86	40,817.80	140,300.14	14,732.75	42,329.61	22,217.24	46,515.28	9,435.94
41,026.56	96,313.62	177,725.71	40,772.88	48,767.70	28,300.80	119,154.14	246,211.20
48,126.21	220,876.35	24,967.69	266,881.59	44,280.01	9,497.06	46,356.67	114,093.80
410,681.11	26,363.93	44,593.22	47,432.77	49,017.81	23,341.81	34,094.23	4,422.00
1,772.00	35,505.19	9,247.24	26,511.32	51,996.70	106,022.17	41,672.19	32,011.53
29,782.22	45,944.41	50,839.49	15,352.65	85,019.06	87,108.61	73,774.43	33,267.89
31,161.09	5,186.53	48,984.17	16,014.98	70,892.80	42,508.05	90,516.47	95,058.16
33,268.36	7,937.30	35,663.75	20,600.28	229,193.44	81,708.61	39,278.50	166,830.12
33,733.41	21,999.01	6,650.39	71,263.00	5,779.04	42,508.05	59,139.35	111.65
36,059.56	25,502.00	5,919.70	17,292.27	5,383.65	10,619.65	53,658.74	62,980.71
41,715.51	27,062.10	6,039.00	29,233.01	300.00	41,226.72	29,596.10	73,188.86
49,697.54	27,220.85	4,628.64	15,036.78	50.00	89,252.28	7,035.77	75,108.94
50,654.75	34,942.45	2,635.70	39,983.70	13,032.98	222,141.48	2,039.13	13,983.56
215,378.78	41,928.18	940.09	47,045.93	4,372.13	18,095.41	3,794.43	4,337.28
9,275.10	53,455.30	200.00	53,496.90	843.43	13,245.37	1,716.76	9,573.56
34,405.07	142,605.79	16,306.86	39,886.84	3,542.40	51,190.40	1,706.76	9,665.32
41,748.45	181,357.57	9,191.58	60,179.84	3,295.27	39,559.85	4,432.61	2,366.33
51,556.37	2,147.11	322.36	12,352.08	7,799.00	29,293.42	9,838.55	4,622.02
232,305.68	5,805.37	558.89	30,018.12	2,180.90	41,260.96	2,154.16	1,982.94
2,462.00	7,870.16	3,237.59	2,493.19	2,010.00	76,580.58	829.40	1,879.64
15,518.48	1,298.82	2,000.00	651.40	1,460.74	9,554.11	1,520.84	967.33
1,345.00	2,475.29	162.13	500.00	4,279.80	3,858.70	20.00	9,098.91
3,591.76	1,110.00	7,163.21	3,765.20	2,050.49	12,536.59	200.00	2,756.99
4,640.04	181,891.20	1,400.00	15,931.25	2,210.00	28,198.72	715.10	1,216.86
195,378.38	1,000.00	3,496.93	2,367.53	10,564.00	1,565.34	1,904.04	1,904.04
1,500.00	1,075.25	100.00	201.29	2,215.10	600.00	125.00	125.00
5,919.28	5,576.50	530.46	530.46	749.85	749.85	749.85	749.85
1,233.86	4,249.31	29,705.07	29,705.07	950.99	950.99	950.99	950.99
1,276.00	3,154.57	300.65	300.65	715.10	715.10	715.10	715.10
3,088.47	1,110.00	160.05	160.05	1,745.43	1,745.43	1,745.43	1,745.43
4,125.51	2,000.00	1,500.00	1,500.00	544.01	544.01	544.01	544.01
1,584.83	2,147.73	314.10	314.10				
6,145.52	1,249.93	8,677.89	8,677.89				
161,086.09	153,011.48	2,433.09	2,433.09				
		19,222.26	19,222.26				
2,211,757.82	1,790,446.42	1,219,099.76	15,050.37	1,258,810.54	1,349,531.29	7,831.11	1,211,157.00
			14,377.00				1,262,844.56