

THOMAS M. SALMON, CPA, CFE  
STATE AUDITOR



STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR

SITUATION REPORT: *TOWN OF COVENTRY*

*A very basic look at the internal controls over cash and the relationship between the selectboard and treasurer in a small Vermont township.*

*Dated: January 31, 2012*

THOMAS M. SALMON, CPA, CFE  
STATE AUDITOR



**STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR**

January 31, 2012

Town of Coventry  
168 Main St.  
Coventry, VT 05825

Dear Town of Coventry:

We have gathered information to better clarify the internal control environment as it currently exists in the town of Coventry. We have also gathered other information on tax collection, delinquent taxes, and tax sales but that information has not been reviewed.

Regarding internal controls, we strongly urge the selectboard and treasurer to work together to strengthen financial management and close the gaps where weaknesses exist. Segregation of duties and reconciliation of bank statements is a key area of concern.

After you have had time to review, please decide if there is joint agreement by treasurer and selectboard to work with someone from our office or Vermont League of Cities and Towns to get the required help you need.

A situation report is an effective tool used to foster forward progress by informing citizens and management of issues that may need attention. It is not an audit and expresses no opinion nor draws conclusions. Instead, the report gathers information in order to identify issues relevant to the entity. Ultimately, it is the responsibility of the entity's stakeholders to address the issues. A situation report is a tool to improve effectiveness and efficiency. If we improve government performance we will improve the lives of Vermonters.

Thank you to Ms. Cynthia Diaz for the cooperation we received during this short exercise.

Sincerely,

A handwritten signature in cursive script that reads "Thomas M. Salmon, CPA, CFE".

Thomas M. Salmon, CPA, CFE  
Vermont State Auditor

COVENTRY

Financial Management Questionnaire - Vermont Auditor's Office

RECEIVED  
AUG 02 2011  
STATE AUDITOR

COVENTRY

	Yes	No	Don't know	By whom
Are all town account records currently maintained ?				
Town Checkbook	✓			Treasurer
Town receipts	✓			
Town disbursements	✓			
Deposit slips	✓			
Bank reconciliations	✓			Treasurer
Do you reconcile bank and ledger balances monthly	✓			Treasurer
Are checks always written to specified payees and not to cash?	✓			
Does the same individual open the mail and deposit checks ?	✓			Treasurer
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 ?	✓			How often? 2-30
Have you deposited town monies anywhere other than a town account ?	✓			RED FLAG 1.1
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 ?	✓			NO
Has a signature stamp ever been used for any town account ?	✓			
Do you employee personnel who handle financial records and accounts ?	✓			
Are financial records maintained in a computerized system ?	✓			WHICH SYSTEMS? 98
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 ?	✓			NEMPC training
Are town financial records maintained in manual form ?	✓			
Are checks written by the same individual who approves payments ?	✓			Checks written by Treasurer Select Board Approves
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 ?	✓			How do you account for fund balances? 98

attach 13 11 98  
also see page 10 to  
last question

Approves

	Yes	No	Don't know	By whom
Do elected town auditors attend financial trainings ?		<input checked="" type="checkbox"/>		
With respect to town accounts, are accounts records currently maintained ?				
Checkbook	<input checked="" type="checkbox"/>			Treasurer
Disbursement journals	<input checked="" type="checkbox"/>			"
Receipt books or cash payment records	<input checked="" type="checkbox"/>			"
Bank deposit slips	<input checked="" type="checkbox"/>			"
Are bank accounts and fund balances reconciled on a monthly basis ?	<input checked="" type="checkbox"/>			why not 2.10
Does the town loan money to town employees ?	<input checked="" type="checkbox"/>			

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: Coventry, Vermont.

Preparer: (signature) Cynthia Diaz (printed name): Cynthia Diaz Title: Town Clerk / Treasurer

Selectboard Chair (signature) \_\_\_\_\_ (printed name): \_\_\_\_\_

Selectboard Chair authorized to sign by the Board approval as shown in the board minutes dated: \_\_\_\_\_

Financial Management Questionnaire - Vermont Auditor's Office

COVENTRY

CONCERNS -

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



Do elected town auditors attend financial trainings ?					Do not have Elected Auditors
With respect to town accounts, are accounts records currently maintained ?					
Checkbook	X				
Disbursement journals	X				
Receipt books or cash payment records			X		
Bank deposit slips	X				
Are bank accounts and fund balances reconciled on a monthly basis ?					
Does the town loan money to town employees ?		X			

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: Coventry, Vermont.

Preparer: (signature)  (printed name): Michael Marcotte Title: Select Board Chair

Michael J. Marcotte  
106 Private Pond Rd.  
Newport, VT 05855

Vt. Auditor of Accounts

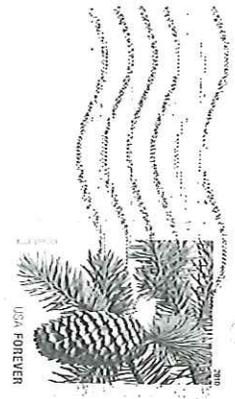
132 State St.

Montpelier, Vt.

05633-5101

05633-5101

VT 058 2 1  
08 AUG 2011 PM



File



STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR

**Memorandum**

To: Thomas M. Salmon  
Vermont State Auditor

From: Joe Juhasz  
Deputy State Auditor

Date: January 31, 2012

Re: Financial Management Questionnaire – Town of Coventry

In July 2011, we requested that the selectboard and treasurer of the town of Coventry complete the Financial Management Questionnaire we developed as a tool to assess the controls over cash management in municipalities. I reviewed the completed questionnaires and highlighted a number of responses which were either incomplete or suggested areas for further review. To address some of my concerns I spoke to Cynthia Diaz, Coventry town clerk and treasurer, on January 5, 2012. I reviewed with her the following questions:

1. **Do you reconcile bank and ledger balances monthly?**  
Both yes and no were checked. She said that mostly it is done monthly, but there are times when she does not get to it and it is done when she is able to do it.
2. **Do you employ personnel who handle financial records and accounts?**  
She said that she did not understand the question so put a “?” in the “don’t know” box. She said today that they do not hire outside firms or individuals to help with any accounting functions.
3. **Do you maintain separate pages, columns or running balances for each fund?**  
She again marked the question with a “?” – wasn’t sure of the answer – the separate funds are accounted for in the NEMRC system.

**I also asked her about her property tax payment processing procedures. She described her procedures verbally as follows:**

1. If payment is made by check accompanied by the stub from the bottom of the tax bill, she marks the stub paid then she marks a copy of the tax bill “paid” and mails it to the tax payer for their records. The copy of the tax bill and the stub are filed.

Memo to: Tom Salmon

Page two

2. If payment is made by check without the stub from the tax bill, she marks the tax bill paid and sends a copy of the bill marked paid to the tax payer. She files the office copy.
3. If payment is by cash, she stamps the bill paid and gives a copy to the tax payer; she files the office copy. She said that cash payments are made by only about 5 to no more than 50 tax payers per year.

The answers to the questions on our questionnaire indicate extremely weak internal controls of the financial activities of Coventry. The treasurer performs every financial transaction with no oversight from the selectboard. There is no effort to segregate accounting duties to reduce the risk of errors or abuse.

The large number of “don’t know” answers to important financial process questions on the selectboard’s questionnaire suggests that there is virtually no oversight by the board of financial activities in Coventry. There are no written policies and procedures in place to govern any town functions, and no one reviews financial records.

## Receipt of Property Tax per Cynthia Diaz:

### By mail: (No one mails cash)

If the property owner sends payment by mail without the stub from the bottom of the bill and the payment is in full: a copy of the tax bill is made, the top half is marked paid with the date of receipt of payment and mailed to property owner. The stub is marked the amount received and kept in the office. The Tax book in the vault is stamped paid and the tax collector's copy of the tax book is not public knowledge and is also marked paid. If the payment received is not full payment, the amount received is marked on the top half of the bill and mailed to the property owner and the stub is marked with the amount received.

If the property owner sends the payment by mail with the stub from the bottom of the bill, the amount of the payment is indicated on it and kept in the office. The Tax book in the vault is stamped paid if it is the entire amount and the tax collector's copy of the tax book is not public knowledge and is also marked paid if it is the entire amount is received.

If someone hands me their tax payment outside of the office, I send them a copy of their tax bill marked paid when I get to the office. If there is no stub with the check I keep the stub marking it with the amount of the payment.

### At the office: (This is the same for check, cash or money order.)

If the property owner comes to the office with their copy of their tax bill, the top part is marked paid if the full payment is received and given back to the owner, and the stub is marked with the amount received and kept in the office. The Tax book in the vault is stamped paid and the tax collector's copy of the tax book is not public knowledge and is also marked paid. If the payment received is not full payment, the amount received is marked on the top half of the bill, given back to the property owner and the stub indicates the amount received.

If the property owner comes to the office without their tax bill a copy of the tax bill is made, the top half is marked paid with the date of receipt of payment and given to property owner. The stub is marked the amount received and kept in the office. The Tax book in the vault is stamped paid and the tax collector's copy of the tax book is not public knowledge and is also marked paid. If the payment received is not full payment, the amount received is marked on the top half of the bill and given back to the property owner and the stub is marked with the amount received.

Sometimes the property owner comes to the office with the stub from the tax bill and their check and they say they don't want a receipt, that their check will be their receipt. The stub is then marked with the amount of their payment and kept in the office.

There are certain owners that have "questioned" their taxes and payments in the past. A copy of their check and the stub is made and signed by the person receiving the payment and given to the property owner as a receipt of payment. A copy of the check is sometimes made on the back of the stub if there may be a question as to who paid the taxes. Or a copy of the check is attached to the stub. The stub is then kept in the office.

The above in office procedure is for both in person or if they leave the payment in the drop box.

Town of Coventry  
PO Box 104  
Coventry, Vermont 05825

Delinquent Tax Collectors Notice as of January 6, 2012

SAMPLE  
4410 Pine Hill Road  
Newport, Vermont 05855

Parcel Number :0<sup>TH</sup>20008

Payment of this bill must be received by February 3<sup>rd</sup>, 2012. Taxes unpaid by this date must have an increase in interest added. Postmarks not accepted.

Taxes Assessed Against you

Year	Principal	Interest	Penalty	Other	Total	Location
2011	1422.31	42.67	113.78		\$1578.76	Pine Hill

Total amount Due \$1578.76

TAKE NOTICE

That taxes assessed against you as indicated hereon are places in my hand for collection with a Warrant attached, upon which I am commanded to make a return.

I will receive taxes at the Town Clerk's Office in the Town of Coventry on Monday, Tuesday, Thursday and Friday 8:00am until 12:00pm, Wednesday 4:00pm until 7:00pm and the third Saturday of the month from 9:00am until 2:00pm. If payment is made at that time summary action on my part will be avoided. Otherwise I am commanded to turn over this matter over to the Town Attorney for Tax Sale April 30, 2012.

Very Respectfully,

Cynthia J Diaz, Collector

Please Remit to:

Town of Coventry  
PO Box 104  
Coventry, Vermont 05825

Please note that interest at 1% for the first 3 months and 1.5% thereafter on any unpaid delinquent taxes. Checks are to be made PAYABLE TO: TOWN OF COVENTRY

Payroll Procedure per Cynthia Diaz:

Each Monday I enter into NEMRC payroll modular those that are to be paid that week. If there are casual laborers for the Road Department, David Gallup our road commissioner submits a slip to tell me how much to pay the person. If there are people in the office working that week their time sheet is collected and entered in the program. David Gallup and the Town Clerk/Treasurer are paid a salary and time sheets are not submitted for them.

The paychecks are printed from NEMRC along with a check warrant for those checks. Cynthia Diaz then takes it to Jimmy Kwick/Mike Marcotte to sign the warrant and he then mails from there the checks after giving Cynthia her check. If Michael is not available due to traveling or legislature Cynthia finds Brad Maxwell or Richard Lussier to sign the warrant before the checks are mailed.

Mike Marcotte keeps the original warrants and Cynthia (Treasurer) does not have copies of these in the office if he is the one to sign the warrant. If one of the other two Selectmen sign the warrant Cynthia takes a copy to save in the office.

## Accounts Payable Procedure per Cynthia Diaz

Invoices to the Town of Coventry come into the office either via the mail (PO Box), vendors drop them off personally in the office, the select board members bring them to the office or the road commissioner drops off invoices.

Once the invoices come to the office try to enter them in the NEMRC accounts payable modular as soon as you can. If there is a question as to the item on the invoice or who signed for the product, the date I call the vendor to get clarification. If the invoice doesn't seem to have the correct information I call vendor or the road commissioner to get clarification. I then make a note to explain to the Select Board when they review the invoices, checks and warrant at their monthly bill.

The day of the Select Board meeting I print checks from the NEMRC modular, for those invoices for that month. I then print from NEMRC a check warrant with those checks printed and organize the invoices in the order of the checks.

At the Select Board meeting the members and myself go invoice by invoice and verify the check amount and check number to the warrant and the vendor it is written to. There are times that the Select Board question invoices for the Road department and I don't have the answers. They then tell me to hold the check until one of them can speak to the road commissioner. The Board member will then call the office to let me know that it is ok to mail the check. Mike Marcotte initializes the invoice that he has seen it and usually Brad Maxwell initializes that the warrant is correct or any changes to it. Richard Lussier reads the check amounts, number and to whom the check is written.

The three Selectmen then sign the warrant and I sign the checks and put them in envelopes to be mailed. Copies of the warrants are made and kept in the office. Mike Marcotte takes the original warrants with him. Mike Marcotte after the meeting takes those invoices to the post office across the street and mails them.

I attach the check stub to the invoice in the office and file them by month.

Accounts Receivables,

The treasurer types an invoice from a format that the old Treasurer used in Excel. Copies are made and kept in a folder. When they are paid they are entered in the NEMRC GL. There are very few invoices billed out of the office.

See copy attached of the invoice used.

# TOWN OF COVENTRY

# INVOICE

For services noted the amount shown is due and payable to:

1/30/2012

**COVENTRY TOWN CLERK**

PO Box 104

Coventry, Vermont 05825

802-754-2288

**The amount shown is due for:**

RECORDING	DATE	NO. OF PAGES	PRICE	AMOUNT
Warranty Deed			\$10.00	
Act 250 Disclosure			\$10.00	
Mortgage			\$10.00	
Trust Mortgage			\$10.00	
Property Transfer Return			\$10.00	
Decree			\$10.00	
Mobile Home Bill of Sale			\$10.00	
Mortgage Assignment			\$10.00	
Mortgage Discharge			\$10.00	
Attachment/Lien			\$10.00	
Survey Plat Map 11 x 17			\$10.00	
Survey Plat Map 18 x 24			\$10.00	
Survey Plat Map 24 x 36			\$10.00	
Permit #3836-9015.1A			\$10.00	

OTHER	DATE	NO. COPIES/HOURS	PRICE	AMOUNT
Uncertified Copy			\$1.00	
Uncertified Copy-Vital Record			\$2.00	
Certified Copy			\$10.00	
Certified Copy -Vital Record			\$10.00	
Examination of Records-Clerk			\$5.00	
Examination of Records			\$2.00	
U.C.C.			\$10.00	
FAX			\$2.00	
Other - Burial Permit			\$5.00	

**ALL FEES PAYABLE IN ADVANCE.**

**DOCUMENTS MAY BE HELD UNTIL RECEIPT OF MONEY.**

32 V.S.A. Sec. 1671(5)

**TOTAL AMOUNT DUE**

**\$0.00**

# TOWN OF COVENTRY

# INVOICE

For services noted the amount shown is due and payable to:

**COVENTRY TOWN CLERK**

PO Box 104

Coventry, Vermont 05825

802-754-2288

1/30/2012

*Coventry Village School*

*The amount shown is due for:*

RECORDING	DATE	NO. OF PAGES	PRICE	AMOUNT
OTHER	DATE	NO. COPIES/HOURS	PRICE	AMOUNT
Bookkeeping -				0
Bookkeeping -				0
Bookkeeping -				0
Lawn Mowing			\$1,110.00	\$0.00
Snow Removal			\$850.00	\$0.00
ALL FEES PAYABLE IN ADVANCE.			TOTAL AMOUNT DUE	\$0.00
DOCUMENTS MAY BE HELD UNTIL RECEIPT OF MONEY.				
32 V.S.A. Sec. 1671(5)				

TOWN OF COVENTRY

INVOICE

For services noted the amount shown is due and payable to:  
COVENTRY TOWN CLERK  
PO Box 104  
Coventry, Vermont 05825  
802-754-2288

1/30/2012 15:41

Where is it to be set up?

Please provide a number to call for directions.

Date needed?

The amount shown is due for:

<b>Refundable Deposit</b>	<b>\$100.00</b>	<b>\$0.00</b>
Tables	\$3.50	\$0.00
Chairs	\$1.00	\$0.00
Tents - 20 x 20	\$50.00	\$0.00
Tents - 20 x 30	\$75.00	\$0.00
Tents - 20 x 40	\$100.00	\$0.00
Tents - 30 x 60	\$150.00	\$0.00
Mileage w/in Town	\$10.00	\$10.00
Mileage outside of Town - per mile	\$0.54	\$0.00

ALL FEES PAYABLE IN ADVANCE.

TOTAL AMOUNT DUE

\$10.00

prices subject to change

Received By \_\_\_\_\_

Released BY \_\_\_\_\_

Returned BY \_\_\_\_\_

Accepted BY \_\_\_\_\_

## DMV Renewals Procedure per Cynthia Diaz:

From the vault get a temporary registration form, submittal form, an orange "R" sticker and an envelope.

Someone comes in to renew a vehicle they must have the renewal form, it must not have expired for more than a year, a check to DMV and a separate method of pay the Town the \$3 fee.

Complete the temporary registration form, give them the white copy and the "R" sticker, keep the yellow copy and attach the check or money order to the renewal form. Put the office copy and the submittal form in the envelope and hold until Friday. (I keep it in the top drawer of the desk as a reminder to send it out on Friday.)

Friday complete the submittal form, take a copy and to it attach the yellow copy of the temporary registration form. This then goes in a file in the desk as a record of whose paperwork was sent and when. The fees are put in the money drawer in the vault. The Submittal form, the renewal card with the DMV payment attached gets mailed into the lock box for DMV.

If someone comes in and they don't have a renewal form but they have a credit/debit card, I will help them go on the DMV website and renew their vehicle on line for them. Then with the receipt from the website I will issue them an "R" sticker using the same forms but NOT taking a DMV payment again because it was already done on line. I will keep a copy of the online receipt with the submittal form copy and send a copy to DMV in the weekly envelope.

Vast Agent Procedures per Cynthia Diaz:

A person comes to the office to register a snow machine and to purchase a "TMA" from the local snow machine club the following should be done.

Using the person's snow machine renewal form complete the DMV's registration form. The fee is indicated on the form. A check or money order must be written to DMV.

If the person needs to register a new snow machine a bill of sale must be submitted. The DMV registration form is completed and a Sales Tax form filled out and turned in. The fees; sales tax and registration, should be paid to DMV unless the sales tax has already been paid and indicated on the bill of sale.

The VAST form for "TMA"s is then completed and a separate check is written to the local club for the trail sticker and club fees. Cash is acceptable for the payment of VAST only.

The registration and all checks for such are submitted weekly or sometimes more often if there are a lot of them, to VAST office. There are two submittal forms that must be filled out. Make copies of these forms and the documents that are sent. With this attach the certified mailing receipt for reimbursement. This is kept in the vault.

The VAST/Club paper work is turned in to the Club twice a year, December 16 and in March or April pending trail conditions. The money is kept in the office separate until such time as the paperwork is turned over to the snow machine club.

THOMAS M. SALMON, CPA  
STATE AUDITOR



**STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR**

January 2, 2012

Dear Town of Coventry:

This letter is to inform you we are conducting a Situation Report on the Internal Controls over Cash in the Town of Coventry. This is a follow up to the Internal Control checklists sent to the Treasurer and the Selectboard.

Thank you in advance for your cooperation. Deputy State Auditor Joe Juhasz and I will be gathering and reviewing the necessary information. We expect to produce a report by February 1, 2012. For information on our situation reports\* please go to our website and review some of the examples. The ultimate goal of a situation report is to clarify a situation and help the entity stakeholders address and improve the agreed-upon issues.

Sincerely,

A handwritten signature in black ink that reads "Thomas M. Salmon CPA".

Thomas M. Salmon, CPA

*\* Situation Report, or SITREP, is a product I was exposed to during military service*