



MELANSON HEATH & COMPANY, PC

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October 6, 2008

East Montpelier Selectboard
Town of East Montpelier
P.O. Box 157
East Montpelier, VT 05651

Dear East Montpelier Selectboard:

We have provided a final copy of our investigation into activity in the Treasurer's office. As part of that report, we identified several transactions which we considered suspicious. The Selectboard decided not to have our firm follow up on those transactions in an effort to minimize costs to the Town. We believe it is imperative for the Town to follow up on those transactions as they are evidence that theft of Town assets may have occurred.

We were unable to conclude on certain aspects of the investigation as records were not retained by the Town which are integral to prove one way or another that all money collected by the Treasurer's office were deposited intact. On the other hand, we were able to conclude with reasonable certainty that collections of taxes were in fact accounted for. Accordingly, the one area that can be concluded with certainty is the missing receipts for specific transactions identified in our report. That would be accomplished by seeking documentation from citizens regarding certain fees recorded as being paid in the Town's records but not deposited as outlined in detail in our report.

In addition, we are responding to certain other questions asked by the Selectboard regarding our report.

Issues:

1.) Interviews

We interviewed the following Town officials during our investigation.

Selectboard members
Town Attorney
Town Administrator
Former Assistant Treasurer
Treasurer / Collector
Town's Independent Auditor
Several members of NEMRC

Additional Offices:

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

2.) Downloads to the tax administration system.

Two of the three members of the Selectboard at the time of our fieldwork told us the Board was informed by the Treasurer / Collector that the reconciliation between the payments received by the State and the electronic files received by the State were not reconciled. We confirmed this statement with the Treasurer / Collector.

The Town receives multiple electronic downloads from the state regarding various property tax information. When the electronic files are received from the State, this information is then integrated into the Town's NEMRC system (The NEMRC system actually is the mechanism for receiving the State files.) However, the majority of these electronic downloads are received prior to issuing tax bills, and in one way or another effect the value of the property to be taxed. These type of downloads do not have an impact on the cash reconciliation process, and would not affect the Treasurer's records. The electronic downloads referred to in the report address the electronic downloads received by the State that provided a detailed accounting of the HS-122 payments made by the State on behalf of certain Town taxpayers. These downloads would have an impact on the Treasurer's financial records if the downloads did not agree with the actual payments received by the State. During tax year 2007 we identified two of these types of downloads. We then reconciled the payments the Town received from the State with the electronic files received by the State. To complete this reconciliation, we first obtained the electronic file from the NEMRC system. We then obtained the Town's bank statements for the same time period the Town received the electronic files. From the bank statements, we identified the electronic deposits made by the State into the Town's account. We then compared the money actually received by the Town and the amounts reported by the State in the electronic download. We agreed the two without exception. While we were told by the Town's Independent Auditor that some communities in Vermont have had an issue with the two not agreeing, the City of Montpelier being one of those communities, we did not find this to be the case with the Town of East Montpelier.

If we can be of further assistance please let us know.

Sincerely,



John J. Sullivan
Melanson, Heath & Company, P.C.
Certified Public Accountants
Management Advisors