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STATE OF VERMONT
OFFICE OF THE ATTORNEY GENERAL
109 STATE STREET
MONTPELIER, VT
05609-1001

March 6, 2017

Dan Schwartz
VTDigger
97 State Street
Montpelier, VT 05602

Re: Public Records Request

Dear Mr. Schwartz:

I am writing in response to your request for records that was received by the Vermont Attorney General's Office on February 21, 2017.

Request

Your request was for:

- all records pertaining to an offshore bank account in the Pribanco International LTD Bank in the Bahamas or any other bank account in the Bahamas kept by Cynthia Diaz, town clerk, treasurer and delinquent tax collector of Coventry, or kept by any of her associates;
- all records pertaining to wire transfers from Panama to Diaz;
- all records pertaining to Diaz's CPA, Randall Northrup, who prepared Diaz's tax returns for the periods 2003 to 2009;
- all records pertaining to an audit conducted in Coventry approximately between 2005 and 2007 by CFE Anne Marie Mooney and all records pertaining to all other audits of the town;
- all internal communications regarding the tax evasion case against Diaz that this office built approximately between 2008 and 2011;
- all communications between this office and William (or Bill) Davies, Coventry's attorney, regarding the aforementioned tax evasion case;

- all communications between this office and the IRS regarding said tax evasion case, and;
- all other records pertaining to the investigation into Diaz.

Response to Request

In response to your request, we have identified records that are responsive to your request. I have separated these records into two categories.

1. Records subject to inspection

The Vermont Attorney General's Office has identified 66 pages of records that are responsive to your request. The Attorney General's Office is producing and providing redacted versions of these records at no charge to you. Please find copies of these records enclosed with this letter.

Information within these records has been redacted for the following reasons: the information by law is designated confidential or by a similar term, 1 V.S.A. § 317(c)(1), 32 V.S.A. §§ 3102(b)(2), 3102(b)(3); disclosure would be of criminal investigation records that could reasonably be expected to constitute an unwarranted invasion of personal privacy, 1 V.S.A. § 317(c)(5)(A)(iii); disclosure would reveal the identity of a witness to a crime, *id.* § 317(c)(5)(D); the information consists of tax returns or related information, *id.* § 317(c)(6), 32 V.S.A. §§ 3102(b)(2), 3102(b)(3); or the information relates to personal finances, 1 V.S.A. § 317(c)(7). See also *id.* § 318(e). Where it is apparent that certain information is already known to you, it has not been redacted. Additionally, while federal courts interpreting the federal Freedom of Information Act have authorized the redaction of the names of investigating law enforcement officers and personnel employed by law enforcement agencies, we have not redacted those names in this instance.

This office has identified an audio recording that is responsive to your request. The audio recording contains information that is subject to redaction pursuant to 1 V.S.A. §§ 317(c)(6), 317(c)(7), and 318(e). See also 32 V.S.A. §§ 3102(b)(2), 3102(b)(3). A redacted version of the transcript of the recording is included in the documents that have been provided to you at no cost.

Producing a redacted version of the recording for your inspection will require senior-level staff time to fully review it and redact exempt information. We estimate that producing a redacted version will require 4 hours of senior-level staff time. We would charge you the rate determined by the Vermont Secretary of State pursuant to 1 V.S.A. § 316(d). See also 1 V.S.A. §§ 316(c)(2); 316(c)(3). That rate is currently \$.57 per minute. See "Uniform Schedule of Public Records Charges for State

Agencies, Vermont Secretary of State, available at <https://www.sec.state.vt.us/archives-records/certifications-fees/uniform-fee-schedule.aspx>. The Vermont Attorney General's Office estimates that the total cost of complying with your request would be \$136.80 for senior-level staff time, plus an additional \$.86 for the cost of a write-once compact disc and case. *Id.*

Given the resources required to produce a redacted copy of the audio recording, and the fact that the information is otherwise contained in the redacted transcript that is being provided to you, a redacted copy of the audio recording has not been included. The Vermont Attorney General's Office will require that you provide \$137.66 in advance, if you wish for the Office to proceed with producing a redacted version of the recording. In the event that complying with your request requires more than 4 hours of senior-level staff time and additional fees are required, we would notify you as soon as practicable before proceeding further and charging an additional amount. If less than 4 hours are required, an appropriate amount would be refunded.

2. *Records not subject to inspection*

The Attorney General's Office has identified additional records in its possession that may be responsive to your request, but are exempt from disclosure under the provisions of Vermont's Public Records Act discussed above. These documents include, for example, financial statements and documents consisting of similar information. Other records, such as this office's internal communications, are exempt pursuant to 1 V.S.A. § 317(c)(4), which exempts documents "which, if made public pursuant to this subchapter, would cause the custodian to violate any statutory or common law privilege other than the common law deliberative process privilege as it applies to the General Assembly and the Executive Branch agencies of the State of Vermont." See *Killington, Ltd. v. Lash*, 153 Vt. 628, 641-48, 572 A.2d 1368, 1376-80 (1990) (discussing existence of attorney work-product privilege in Vermont prior to adoption of rules of procedure).

Finally, regarding the portion of your request pertaining to "all other records pertaining to the investigation into Diaz," I have considered it to be substantially identical to the request that our office received from you on January 17, 2017 for "any and all documents related to active or inactive investigations or pending or non-pending charges involving Cynthia Diaz in her role as either Coventry town clerk, delinquent tax collector, treasurer or a citizen of Vermont." I refer you to our response which we sent on January 31, 2017.

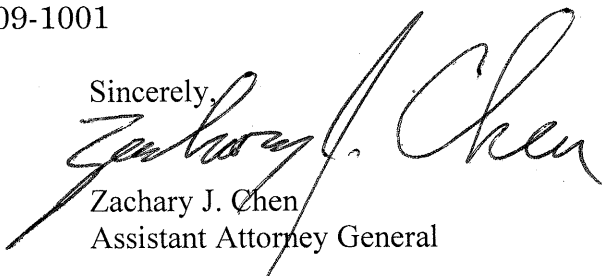
Right to Appeal

To the extent you consider that this response constitutes a denial of your request, you may appeal to the Deputy Attorney General. Any appeal should be in

writing and addressed to:

Joshua Diamond, Esq.
Deputy Attorney General
109 State Street
Montpelier, VT 05609-1001

Sincerely,

A handwritten signature in black ink, appearing to read "Zachary J. Chen". The signature is written in a cursive style with a large, sweeping flourish at the end.

Zachary J. Chen
Assistant Attorney General

Enc.
cc: file

WILLIAM H. SORRELL
ATTORNEY GENERAL
JANET C. MURNANE
DEPUTY ATTORNEY GENERAL
WILLIAM E. GRIFFIN
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<http://www.atg.state.vt.us>

STATE OF VERMONT
OFFICE OF THE ATTORNEY GENERAL
109 STATE STREET
MONTPELIER, VT
05609-1001

May 13, 2011

Cindy Hall
Green Mountain Reporters & Captioners
335 Honan Road
Moretown, VT 05660

Re: State v. Cynthia Diaz
Docket No's. 171-2-10 Wncr and 419-4-11 Wncr

Dear Cindy:

Enclosed is a CD to be transcribed for Ultan Doyle. It is a deposition taken on May 11, 2011 at Corrette & Associates in St. Johnsbury. Present at the depo were: Ultan Doyle, Assistant Attorney General; Maggie Vincent, Attorney for Cynthia Diaz; and Randall Northrop, deponent. I am told it is just under two hours. We need this at your earliest convenience.

Feel free to call me at 828-5512 if you have any questions.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Bonnie Boyce".

Bonnie Boyce
Administrative Secretary

Enc.

WILLIAM H. SORRELL
ATTORNEY GENERAL
JANET C. MURNANE
DEPUTY ATTORNEY GENERAL
WILLIAM E. GRIFFIN
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STATE OF VERMONT
OFFICE OF THE ATTORNEY GENERAL
109 STATE STREET
MONTPELIER, VT
05609-1001

May 31, 2011

Randall Northrop
redacted

Re: State of Vermont v. Cynthia Diaz
Docket No's. 171-2-10 Wncr and 419-4-11 Wncr

Dear Mr. Northrop:

Enclosed please find your deposition which was taken on May 11, 2011, regarding the above-entitled matter. Please read it over, making any changes you may have on the enclosed Errata sheet as soon as conveniently possible. DO NOT MARK ON THE TRANSCRIPT ITSELF. After you have read your deposition and made corrections, please sign it before a Notary Public and return it to me in the enclosed self-addressed, stamped envelope.

If you have any questions, please call. Thank you.

Sincerely,

A handwritten signature in cursive that reads "Ultan Doyle" followed by a large, stylized "15/".

Ultan Doyle
Assistant Attorney General

blb

Enc.

cc: Maggie Vincent, Esq. (w/out enclosure)

ERRATA SHEET

Please read the enclosed transcript. If you wish to make any corrections, please do so below referring to page and line number followed by the correction. **Please, DO NOT MARK ON THE TRANSCRIPT**, and under no circumstances, take apart or tamper with the transcript. After reading through the transcript, sign it on the signature page in front of a Notary Public, enclose this Errata Sheet signed by you and a Notary Public and return to the above address.

<u>Page</u>	<u>Line No.</u>	<u>Change</u>

I have read and understand the above information.

Subscribed and sworn to before me this ___ day of _____, 2011.

Notary Public
My commission expires _____

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P.O. Box 1311 • Montpelier, VT 05601



Fax: (802)229-6840
Email: gmrptrs@myfairpoint.net
www.gmreporters.com

May 25, 2011

Ms. Bonnie Boyce
Office of the Attorney General
109 State Street
Montpelier, VT 05609-1001

Re: State of Vermont vs. Diaz

Dear Bonnie:

Enclosed please find the original transcript from the recorded deposition of Randall Northrup. Also enclosed is the CD which we are returning to you. The transcript has been e-mailed to you.

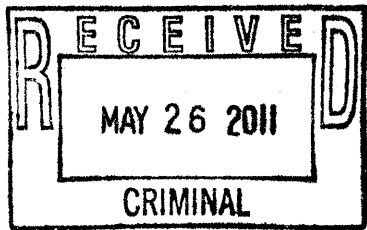
Should you have any questions, please feel free to contact me.

Sincerely yours,



Kelly A. Gosselin
Office Manager

Encs.



ORIGINAL

STATE OF VERMONT

VS.

CYNTHIA DIAZ

RECORDED DEPOSITION

OF

RANDALL NORTHROP

May 11, 2011

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(Beginning of CD)

MR. DOYLE: Okay. We are on the record in the State of Vermont vs. Cynthia Diaz in Docket Numbers 171-2-10 wncr and Docket Number 419-4-11 wncr. We are here today for the deposition of Randall Northrop. Present is Mr. Northrop; myself, Ultan Doyle, Assistant Attorney General; and Maggie Vincent who is the attorney for Cynthia Diaz. And, Maggie, if you would, just (inaudible) Mr. Northrop in. Thank you.

MS. VINCENT: Will you raise your right hand?

MR. NORTHROP: Will you spell my name correctly?

MS. VINCENT: Sure.

MR. NORTHROP: It's an R-O-P at the end. Not that it matters too much to any people but me.

MS. VINCENT: R-O-P. Actually, probably the first thing (inaudible) be done would be --

MR. NORTHROP: Yes.

MS. VINCENT: -- the (inaudible) accurate spelling of your name. But second thing because first thing is we want your spelling of

1 your name under oath (inaudible) so if you
2 could raise your right hand. Do you swear to
3 tell the truth in the matters we are about to
4 discuss under penalty of perjury?

5 MR. NORTHROP: I do.

6 EXAMINATION BY MR. DOYLE:

7 Q Okay. And, Mr. Northrop, can you (inaudible)
8 please spell -- or, I'm sorry, state your first name
9 and spell your last name.

10 A Randall, N-O-R-T-H-R-O-P.

11 Q And your current address?
redacted

12 A

13 Q And your occupation.

14 A I'm an accountant.

15 Q Okay. And before we start on the actual
16 questions of the deposition, there were just a few
17 things that I wanted just to run by you. The first
18 is, if you don't understand the question, can you
19 please let me know?

20 A (inaudible).

21 Q And I will -- I will rephrase it. The other is,
22 this is being recorded. We are on the record, and so
23 if you could just make sure that your answers are
24 clear, avoid things like uh-huh or those kind of
25 things just so it's clear if anybody reads the

1 transcript of this what was actually being said. Any
2 questions before we begin?

3 A No.

4 Q Okay. So I understand that in August of last
5 year you prepared some tax returns for Cynthia Diaz,
6 is that correct?

7 A That is correct.

8 Q And -- oh, I'm sorry. One other thing is
9 occasionally Maggie may object to some of my questions
10 as you -- I may ask a question, you may hear her raise
11 an objection. For the most part, even though she has
12 objected, you will still be required to answer the
13 question. There may be some exceptions that Maggie
14 and I will talk about if something was privilege or
15 something like that, but for the most part she's
16 objecting for the record, but you would still be
17 required, but that can (inaudible) disconcerting for
18 people, and we can talk about that if -- if it arises.

19 MS. VINCENT: Is part of the usual
20 stipulations that we didn't put on the record
21 any objections other than to privilege or
22 compound or confusing question are waived
23 during the process?

24 MR. DOYLE: Okay.

25 MS. VINCENT: There (inaudible).

1 MR. DOYLE: Okay. (inaudible).

2 Q So, again, I understand you were approached at
3 some point by Ms. Diaz to prepare some tax returns,
4 and this would have been last year, is that right?

5 A That's correct.

6 Q And how did -- how did Ms. Diaz end up contacting
7 you, do you remember?

8 A I audit the Town of Coventry as an independent
9 auditor and have for several years, and through this
10 process Cynthia called me here, I think it was July,
11 but I didn't keep record of that.

12 Q (inaudible).

13 A To ask me if I could help her by preparing her
14 returns *redacted*

15 *redacted*

16 Q Okay. And that would have been July of 2010?

17 A That's correct.

18 Q Okay. And so how long would you say you've known
19 Cynthia?

20 A About four years.

21 Q Okay. And is that in a professional capacity or
22 more as a friend or --

23 A I do not know her personally.

24 Q Okay. So it's just as a result of you being the
25 Town of Coventry independent auditor?

1 A I apologize. It is the town of Coventry's
2 school.

3 Q Town of Coventry's school. Okay.

4 A She is the town treasurer, but she has for the
5 several years managed the books for the school --

6 Q Okay.

7 A -- so through that capacity I know Cynthia.

8 Q I see. Okay. Had you ever done any -- provided
9 any kind of accounting assistance before last year?

10 A To Cynthia --

11 Q To Cynthia.

12 A -- in the role as the treasurer I have.

13 Q Okay. And (inaudible) --

14 A Nothing personal.

15 Q Nothing in a personal capacity. Okay. And when
16 she contacted you in you think it was July of last
17 year, did you meet in person to discuss her taxes at
18 that time or did she send you in information?

19 A She brought in some information and we sat down
20 and reviewed it briefly here a few weeks before I
21 signed her returns.

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Q Okay. And when you met with her that first time did she have any documentation with her?

A She brought me some *redacted* for a variety of the years she asked me to prepare.

Q Okay. And do you have a copy of her tax returns in front of you right now that we can reference?

A I do.

MS. VINCENT: (inaudible) copy you're going to want to have them marked for the record?

MR. DOYLE: Yeah. (inaudible).

A I am required to keep copies of returns as of my profession. I do not have extra copies that I can render to you without violating my retention requirement.

Q Okay.

A If I need to make copies, I can have someone make copies that you can take with you if that's --

Q Yeah, that would probably be the best. I'll -- I'll mark what I have here.

MS. VINCENT: (inaudible) you could use

1 yours as the exhibit.

2 MR. DOYLE: I could use mine as the
3 exhibit --

4 MS. VINCENT: Okay.

5 MR. DOYLE: -- and then just get copies.

6 MS. VINCENT: Okay.

7 MR. DOYLE: And then just get copies
8 afterwards.

9 A If you'll simply tell me which --

10 Q So what I'll -- I'll mark this as -- as -- we'll
11 start with 2003, and I'm going to mark this --

12 A (inaudible) excuse me. Didn't mean to interrupt
13 you all.

14 Q No, no. That's fine.

15 A (inaudible) 2003. *redacted*

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A Honestly, we have -- I meet with a lot of people
here and I try to keep fairly clear records. *redacted*

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11 A I do not usually review the tax returns with tax
12 clients. What I do is when it's completed I have my
13 office manager call them and ask if they want to pick
14 it up or if they want it mailed to them --

15 Q Okay.

16 A -- then I ask them to review it.

17 Q Okay.

18 A And if they have questions, I'm available to
19 review it with them. I do not as a practice review
20 tax --

21 Q Okay.

22 A -- (inaudible) completed with clients.

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A Our work was subsequent to Cynthia's attention
from the State of Vermont and that's public knowledge.
I understand it was published in the front of the

1 paper. I saw it.

2 Q Yeah.

3 A And I think she and I discussed the publicity
4 these might receive and the need for them to be
5 accurate and her assertion that they were as accurate
6 as she could from the records she had.

7 Q Okay. So -- but it would be fair to say there
8 was some discussion about ensuring that she was -- to
9 the best of her recollection at least, providing you
10 with all of the income for the year 2003 that she
11 believed she -- she had received?

12 A I think so.

13 *redacted*

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17 Q Okay. At this point I'd like to direct your
18 attention then to State's -- what I'll mark as State's
19 Exhibit 2. It is a package of information, again,
20 beginning with a cover letter that you sent to Ms.
21 Diaz dated August 2nd, and it includes Ms. Diaz's W-2
22 for that year, federal tax return.

23 MS. VINCENT: You didn't state the year.

24 THE WITNESS: What year?

25 MR. DOYLE: What's that?

1 we finished the returns.

2 Q Okay. How about -- same question I asked you for
3 the year 2003. Any discussion about any income she
4 would have received from either providing bookkeeping
5 or accounting services?

6 A (inaudible).

7 Q Okay.

8 A I wasn't aware she did that.

9 *redacted*

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17 Q Did she share with you when she started working
18 for the Town of Coventry? She --

19 A She did not --

20 Q She did not, okay.

21 *redacted*

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Q Okay. And your recollection is that there was no other discussion of income for that year?

A Not during the preparation of returns.

Q Okay. Anything else about the year 2004 that you believe would be pertinent for us to know?

A No.

redacted

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5 A I have no idea.

6 Q Okay.

7 A Though I did call Cynthia and asked her if I
8 could have some additional information that would help
9 me help her. She had nothing available.

10 Q Okay. Are we able to tell if this is -- this
11 *redacted*

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13 A (inaudible).

14 Q Okay.

15 A I just don't know what (inaudible).
16 *redacted*

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23 Q (inaudible).

24 A (inaudible). I'm going to --

25 Q okay. okay.

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21 Q Okay. Are there any other -- did she discuss
22 with you any other sources of income?

23 A No.

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A Yes.

Q Okay. And, again, any mention of any income she received as a result of providing bookkeeping or accounting services?

A No.

redacted

A Not that I recall.

Q Okay. Anything else about the year 2005 that we need to discuss that we haven't covered already?

redacted

Q what was your -- what was your purpose of making

1 that phone call? were you looking for additional
2 documentation?

redacted

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A I asked her if she had more and she indicated she
did not.

Q Okay. And did she discuss with you
redacted

redacted

A we didn't talk --

Q Okay. And -- and so she wasn't able to provide
you with any additional information when you called.

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Q Okay. Anything else for the year 2007 that we need to talk about?

A No.

Q Okay. And then finally for the year 2008, which I'll mark as State's Exhibit 6, I'm looking at a packet, again with a cover letter dated August 2nd, 2010 from you to Ms. Diaz.

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Q Okay. And so after you received the source documentation from the years 2003 to 2008 you went ahead and prepared her taxes, is that correct?

A Yes, it is.

Q You mailed the taxes to her at some point and -- is that correct?

A Within a day or two (inaudible).

Q Okay. Within a day or two of August 3rd of 2010?

A That's correct.

Q Okay. And then your understanding, at that point at least, *redacted*

redacted

A Yes.

Q Okay. So at some point after that then were you -- were you contacted by Ms. Diaz?

1 A I was. Actually, I think Attorney Maggie Vincent
2 called me and asked if I could do some additional work
3 *redacted*

4 *redacted* and contacted Cynthia to get her
5 permission to discuss it with the attorney and then
6 got a package from the attorney, Maggie Vincent, to
7 review with Cynthia *redacted*

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9 Q And this was -- this -- these were -- just to be
10 clear while we're referencing, *redacted*

11 *redacted*
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A That's my understanding.

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Q Okay. And so for the year 2003 can you tell me what source documentation you ended up reviewing?

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A Well, not much. I received the package and asked Cynthia to come and meet with me

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redacted

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redacted

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redacted

and Cynthia came in -- I don't remember

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now, I'd have to check my calendar, but it was several months ago certainly.

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Q But -- but subsequent to let's say roughly the end of August or beginning of September last year?

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A It might have -- might have been in January, February, but I have to check my calendar. But

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18

subsequent to that, sometime between November and

19

(inaudible) last few months have been really

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(inaudible) for me so (inaudible).

21

Q Okay. And was that the first conversation you and she had had about her taxes

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redacted

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redacted

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A No, I don't think so. I -- I'm -- I'm fairly

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certain I pestered her a couple of times to bring me

redacted

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2 Q okay.

redacted

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10 Q okay.

11 A And I think I called her two or three times
12 asking for that information over a couple of
13 (inaudible).

14 Q okay. Any discussion of her --

redacted

redacted

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16 A Not until I received this package and spent a day
17 reading it and then sat with her I believe it was in
18 February. It could have been January. I'm not sure
19 of the dates.

20 Q okay.

21 A But we sat down for about three hours and
22 reviewed these

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Q You just looked at the --

A And had a discussion with Cynthia about them.

Q Okay. Did you also receive the -- the source

documentation as well *redacted*

redacted

redacted

redacted

1 is that correct?

2 A That's correct.

3 Q Okay.

4 A Requested her to provide me with either an
5 explanation or supporting documentation that would
6 help us determine *redacted* --

7 Q Okay.

8 A -- (inaudible). *redacted*

9

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13 *redacted* Did

14 you and she have a discussion about that -- that --
15 *redacted* and whether --

16 A We did.

17 Q And what -- what did she tell you?
18 *redacted*

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1 Q Okay. So just so I'm clear, she thought that her
2 -- and at that point was there a discussion of what
3 the nature of her employment was that would have
4 resulted in those -- *redacted* ?

5 A Yes.

6 Q What was the -- what did she tell you was the --
7 was the nature of her employment?

8 A She said she was self-employed and did this for
9 people to help them. And I explained to her that the
10 requirements are to include all the income and all the
11 expenses on a return *redacted*

12 *redacted* She said to me, I'll
13 see if I have any paperwork at home for that year and
14 I'll let you know. *redacted*

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19 A That's correct. *redacted*

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redacted

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3 Q Okay. Did she say what the name of her
4 ex-husband was?

5 A It's (inaudible).

6 Q She told you Enrique?

7 A I don't -- I think I saw it here and asked who
8 that was. And I think she said it was her ex-husband.

9 Q Okay. Enrique or -- Enrique Diaz?

10 A I speak a few languages, but (inaudible).

11 Q (inaudible) I'm not sure. But -- so she said
12 Enrique or Enrique so --

13 A She said her ex-husband.

redacted

14

15

16 A That's what I understood.

17 Q Okay.

18 A Again, we didn't come to any resolution and that
19 was simply a discussion because I was expecting her to
20 bring me supporting documentation that would support
21 her assertions and we didn't get to that point.

22 Q Okay. (inaudible).

23 A So (inaudible).

redacted

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redacted

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A We concluded our conversation that she needed to go find out what this was and let me know.

redacted

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A I don't (inaudible).

13

Q Okay. But --

14

A Likely would have been me.

15

Q Okay. But the bottom line is you couldn't

16

conclude after you spoke to her whether

redacted

redacted

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18

A We never finished this.

19

Q Right.

20

A (inaudible) I think but --

21

Q Yeah, but based on --

22

A (inaudible).

redacted

23

24

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redacted

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2 A It wasn't that we couldn't; we didn't.

3 Q Okay.

4 A We just didn't get to that point. When these
5 came to me, I reviewed them and said, I need to know
6 more (inaudible).

7 Q Yeah. Based on the information you couldn't
8 conclude it -- that that had been -- had been provided
9 to you from her you couldn't conclude.

10 A Yes.

11 Q Okay. And did she tell you where her ex-husband
12 lived?

13 A I don't remember.

redacted

14

15

16 A I don't remember.

17 Q Okay.

18 A She talked about a few different places, Panama
19 and Hawaii and California, but these were fairly vague
20 discussions and I'm not sure about the details.

redacted

21

22

23 A No.

24 Q Okay. So, again, just to be clear you said it
25 was kind of -- you weren't clear, from what she was

redacted

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4 A I'm not sure we got to that.

5 Q Okay. Was it a very short conversation?

6 A It was kind of a rambling conversation. Most
7 often my focus here is -- is to -- is to focus and to
8 be as clear as possible and hopefully as brief as
9 possible.

10 Q Yeah.

11 A And these conversations were a lot more rambling
12 than I would normally prefer.

13 Q Okay. So your --

14 A And of course we didn't have any references --

15 Q Yeah.

16 A -- (inaudible) to look at.

redacted

17

18

19

redacted

20

Did you specifically request certain

21

information from her?

22

A I didn't. She didn't know what she had.

23

Q Okay.

24

A I asked her for any agreements between her and

25

her ex-husband. I asked her for any documentation

1 that would help us understand this.

redacted

2

redacted

3 and she seemed to be taking copious notes and
4 indicated she'd bring me some things.

5 Q Okay. But she never did?

6 A She never did.

redacted

7

8

9 A Not that I'm aware of.

redacted

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17 A Okay. I -- I don't do asset returns as you know.

redacted

18

19 Q Right.

20 A So I don't know what people have.

redacted

redacted

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1 A That's correct.

2 *redacted*

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10 Q Okay.

11 A And I asked her to see if she could figure that
12 out and let me know.

13 *redacted*

14

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20 Q Okay. So she was going to check on that and get
21 back to you as well?

22 A Yes.

23 *redacted*

24

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26 A Not that I recall.

27 Q Okay. All right. If we could move on to the

redacted

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Q Okay. Did you discuss if she was employed by them for that year?

A Well, we didn't, but it seemed evident.

Q Okay.

redacted

Q Okay.

redacted

Q Okay. What -- what did she do for Gray's Paving and Sealing, did she tell you?

A She worked for them.

Q Doing -- doing -- you don't know what she --

A I have no idea.

1 Q Okay.

2 A She could have --

3 Q Right. And so -- but her -- her position, at
4 least to you, was that she just hadn't --

5 A She wasn't sure --

6 Q If --

redacted

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15 A That's what she said.

16 Q Okay.

17 A At least that's (inaudible).

18 Q (inaudible) but that was her recollection, but
19 she didn't say to you, *redacted*

redacted

21 A I think so.

redacted

22

23

24

25

1 Q okay.

redacted

2

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5 Q okay. Anything else for 2004?

6 A No, I don't think so.

redacted

7

8

redacted

Do

9 you have that in front of you?

10 A I do.

redacted

11

12

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20 Q Okay. So she thought she had actually --

21 A Stopped.

redacted

22

23

24 A I think so.

25 Q Okay. She didn't say that isn't from -- again,

redacted

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A I asked her to go look and let me know if she could find some paperwork, and she was going to do that.

redacted

1 A I did.
2 Q okay. And she told you that --
3 A she was going to go look.
4 *redacted*
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redacted

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Q Yes.

A Nothing more than we talked about earlier.

Q Nothing more than you talked about earlier?

Okay. And did you leave that that she was going to try, again, provide you with additional documentation?

redacted

redacted

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Q Okay. And anything else -- did -- was -- how many times did you meet with her after you had prepared the taxes?

A Once.

Q Once.

A To discuss this. I met with her a couple of times on our audit of the school.

Q Yeah.

1 A -- but we didn't talk about (inaudible).

2 Q But as far as (inaudible).

3 A (inaudible) I asked her for stuff; you still owe
4 me.

5 Q Okay. And so after this discussion did she ever
6 send you any of the documentation you had requested?

7 A No.

8 Q Any further conversations with Cynthia after
9 this?

10 A Well, again --

redacted

11

12

13 A Limited to me reminding her she owed information,
14 yes.

15 Q Okay. And that was it?

16 A Yes.

redacted

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redacted

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2 Q Yeah.

3 A Nobody cares.

4 Q Right. But, again, you can't -- without seeing
5 the documentation you requested, you can't make any
6 conclusions, is that correct?

7 A That's true, yeah.

8 MR. DOYLE: Okay. All right. I have
9 nothing further.

10 MS. VINCENT: I have a couple.

11 MR. DOYLE: Sure.

12 MS. VINCENT: Just a couple though. Ultan
13 has been so thorough.

14 THE WITNESS: Can I ask one?

15 MS. VINCENT: Yeah.

16 THE WITNESS: How long can you keep me
17 here?

18 (inaudible conversations)

19 EXAMINATION BY MS. VINCENT:

20 Q But seriously. I'm sorry. Explain again the
21 difference *redacted* Do you mean

22

23

24 A That is exactly what I mean.

25 Q Thank you. I just wanted to make sure. And you

redacted

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A I don't know.

Q (inaudible).
redacted

A well, it's -- it's very complicated.

Q Uh-huh.

A You want a complete answer or want a short answer?

Q well, short. It's lunchtime. (inaudible).

redacted

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MS. VINCENT: That's all I have. I just was -- after Ultan's (inaudible) some lingering questions. (inaudible).

MR. DOYLE: Actually, I just -- I just have a couple of follow-ups.

EXAMINATION BY MR. DOYLE:

redacted

A No.

Q No? (inaudible).

redacted

redacted

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A I have an excellent memory, but you probably
don't care about that. I don't recall (inaudible).

5

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redacted

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A Yeah, I speak a few languages. Spanish is not
one of them. I don't know what that --

9

10

MS. VINCENT: And Spanish is so useful.

11

12

THE WITNESS: I speak Japanese, I speak
Korean, I speak some German, I'm pretty good in
French, but (inaudible) French teacher, but
Spanish is out of my (inaudible), I'm sorry.

13

14

15

MS. VINCENT: Well, Ultan (inaudible)

16

anyways.

17

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19

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Q Okay. So there was never any discussion of where
the -- you -- you said that she mentioned owning a
company with her husband though, did I hear that
correctly?

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MS. VINCENT: No.

22

A No.

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MS. VINCENT: He already -- that's been
asked and answered but --

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redacted

redacted

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Q Okay.

MS. VINCENT: Ultan, you ask; you don't listen.

MR. DOYLE: Okay. All right.

MS. VINCENT: (inaudible).

MR. DOYLE: That should do it. Is there anything else?

MS. VINCENT: No.

MR. DOYLE: Okay. We will go off the record.

MS. VINCENT: No. The --

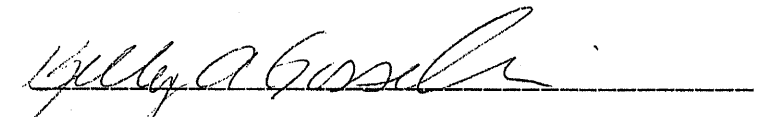
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CERTIFICATE

I, Kelly A. Gosselin, hereby certify that the foregoing pages are a complete and accurate transcription to the best of my ability utilizing generally accepted court reporting practices for an audio recording as presented to me for transcription.

Dated at Moretown, Vermont, this 24th day of May 2011.


Kelly A. Gosselin

MEMO

TO: File
FROM: Anne Marie Mooney, CFE
DATE: February 21, 2007
RE: Town of Coventry, VT

I spoke to Attorney William Davies by telephone *redacted*. He authorized me to release all information and documents to law enforcement after we visited Coventry, VT from 2/26/07 through 3/1/07.

He requested that we advise law enforcement that the town meeting for the election of town clerk would be held on 3/6/07.

Confidential

MEMO

TO: Kelley Clark, Detective Sergeant, VT State Police
FROM: Anne Marie Mooney, CFE
DATE: March 2, 2007
RE: Town of Coventry, VT

We have copies of most of the Coventry business records to substantiate our findings.

We have worked with *redacted*
redacted to obtain Coventry's bank records and
checks. The bank's written policy to honor checks within 3 months old is not enforced;
redacted

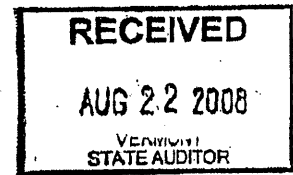
There were significant amounts of cash payments for property taxes, and all cash taken in
is not explained or accounted for. Cash and checks were not reconciled, and there was
not oversight for any activity.

Should the state pursue this matter, it would be beneficial to obtain the town's records
that exist *redacted* *redacted*
redacted

Should you need additional assistance, please call me

redacted

TOWN OF COVENTRY
P.O. BOX 104
COVENTRY, VT. 05825



August 21, 2008

Mr. Joseph Juhasz
Office of State Auditor
132 State St.
Montpelier, Vt. 05633-1400

Dear Joe,

The Coventry Town Select board formally requests the assistance from the Office of State Auditor to review a fraud audit report done by Anne-Marie Mooney for the Town of Coventry. The Coventry Select board, with advice from Town Attorney William Davies, has not reviewed this report as of this date. We would ask that your office discuss this report with Orleans County States Attorney Keith Flynn and forward a copy of the report to Attorney General William Sorrell to determine if prosecution is warranted.

Should it be found that no prosecution is warranted, we would request that your office review this report with Coventry Town Clerk and Treasurer, Cynthia Diaz. After your office has reviewed the report with the Coventry Town Clerk and Treasurer, the Coventry Select board would request a meeting with you, Town Attorney William Davies, fraud auditor Anne-Marie Mooney, and Coventry Town Clerk and Treasurer Cynthia Diaz in order to review and discuss the report. We would then need to formulate a comprehensive plan to bring the Office of Town Clerk and Treasurer back into compliance should there be any deficiencies found in the fraud audit report.

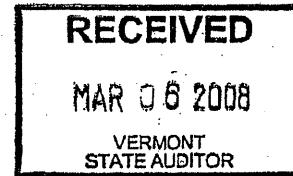
I look forward for your assistance on this matter and should you have any questions, please feel free to contact me at *redacted*. Should you need to use the U.S. mail, please send to *redacted*. My e-mail address is *redacted*.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael J. Marcotte".

Michael J. Marcotte
Chairman
Coventry Town Select board

Anne Marie Mooney, CFE, Inc.
PO Box 24
Atkinson, NH 03811



March 1, 2008

Mr. Thomas M. Salmon, CPA
Vermont State Auditor
132 State Street
Montpelier, VT 05633-5101

Privileged & Confidential

Re: Town of Coventry, VT

Dear Mr. Salmon:

We thank you for your time and that of *redacted* in reviewing this matter and our report. I am writing you to give an overview of the issues and suggestions for follow up.

The Town of Coventry under attorney-client privilege of Town Counsel William Boyd Davies retained us in August 2006 to review books and records of the town as kept by town clerk Cynthia Diaz. It is important to understand the timeline and series of events as they took place while we performed our review.

Background

Diaz was elected to this position by 1 vote in March 2004 for a period of 3 years, ending March 2007. She was re-elected by a landslide vote and remains in this position until March 2010.

We were informed that prior to 2003 until April 2005, she held a bookkeeping position with Gray's Paving. *redacted*

The Orleans States Attorney opened an investigation, and Diaz was indicted in April 2006; the charges were since dropped in August 2007. In April 2005, Diaz was fired from Gray's, but Gray did not want to prosecute. *redacted*

Overview

We reviewed most of the town's books and records from 2004 through 2006. For each year, the records were kept inconsistently. We could not balance any of the records financially; so, we performed total transaction analysis of the records and focused our attention on taxes paid/collected in cash.

Attorney-Client Privilege
Work Product Doctrine

We examined official town records, tax bills, receipts, bank statements, her bank deposit slips, petty cash checks, etc. and compared them to bank records. We noted the discrepancies, documented them and confronted Diaz (per our written report).

redacted

We compiled spreadsheets of information regarding the years 2004 through 2006; although we could not account for all discrepancies, we noted what we could.

redacted

redacted She did not make any cash deposits for the town (including tax payments and late fees) collected after 11/4/04 until 6/6/05. This practice was also noted in 2006, and in 2007.

redacted

Follow Up

redacted

redacted
to continue this investigation
redacted
in this matter.

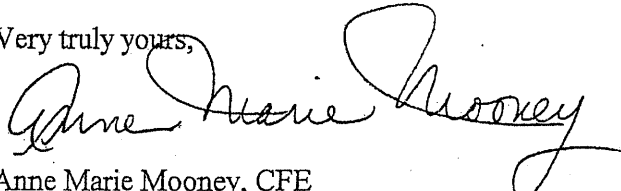
It would be in the best interests of the State and the Town
redacted

We would be happy to further assist you

Please visit my web site: www.annemariemooneycfeinc.com

We thank you for your time and consideration in this matter. You can reach me at *redacted*
redacted

Very truly yours,


Anne Marie Mooney, CFE

MEMO

TO: File

FROM: Anne Marie Mooney, CFE
James Taylor, CIA, CFE

DATE: August 1, 2007

RE: Town of Coventry, VT

During our ongoing review of policies, procedures and record keeping for the town, we reviewed several documents with Town Clerk Cynthia Diaz in her office at the Coventry Community Center during evening office hours on 2/28/07. We focused our discussion on the payment of property taxes by cash and by check. In 2004, property taxes were due by 11/4/04. If payment was delinquent, penalties and interest were owed until full payment or the property would go to tax sale. Diaz keeps carbon copies of deposit tickets in bound books. We copied all of her deposit tickets that were submitted to Community National Bank (CNB) for the town's account.

EXHIBIT 1

Diaz was asked to examine a copy of the deposit ticket dated 8/19/04 for \$5,883.21 comprised of \$1,840 in cash and 4 items recorded as checks. Her normal practice is to list currency without any explanation on the ticket, and to list the last name of the tax payor and the amount of the check on the ticket. Diaz was asked to explain the arrow that was marked from *redacted* name to currency of \$1,840. She stated that *redacted*

redacted She was asked to note this on the ticket copy and initial and date same. She did so.

EXHIBIT 1A

Diaz was then shown the copy and details of the 8/19/04 deposit ticket as retrieved from CNB. Currency of \$1,840 and 4 checks, all totaling \$5,883.21 were deposited on 8/20/04.

There was not a check for \$597.61 from *redacted* in this deposit. *redacted*
redacted We had examined this check during our visit on 8/11/06. Diaz is authorized to print and sign town checks (for i.e. payroll, vendor and petty cash) when warrants with documentation are approved by the town selectmen. *redacted*
redacted

Attorney-Client Privilege
Work Product Doctrine

Diaz was asked to explain
redacted

redacted

She began to search for her petty cash back up
documentation. We reminded her that she was never able to produce any back up. *redacted*
redacted

redacted She said that she probably needed cash to make change for those
tax payors that paid in cash. *redacted*

EXHIBIT 1B

Diaz maintained an Excel spreadsheet showing various payments of 2004 property taxes
noting whether payment is in cash or check and pertinent dates, amounts, and check
numbers. *redacted*

EXHIBIT 1C

A tax stub is the bottom of the tax bill document. It is normally completed to indicate
payment of taxes on various parcels. Per Town Clerk Diaz, tax stubs are maintained by
the clerk as backup evidence of tax payment. This exhibit represents tax stubs for
redacted indicating payment of *redacted* 2004 property taxes in cash for two parcels
of land.

EXHIBIT 1D

This exhibit is: 1) Town of Coventry check number 7535 issued to *redacted*
redacted and, 2) accompanying
check warrant report showing petty cash entry for the *redacted* expenditure. There is no
supporting documentation for this disbursement.

EXHIBIT 2

Diaz was asked to examine a copy of a CNB deposit ticket dated 11/6/04 for \$14,300.78
of which \$655.43 is listed as currency and 12 checks for property taxes. This carbon
copy of the deposit ticket appears exactly as contained in her deposit book with her
notation and initials. *redacted*

redacted She said that this was accurate and referred to the town tax records kept in her
own handwriting in which she recorded *redacted*

She also kept the original tax ticket stub reflecting this
information of which we have a copy.

Attorney-Client Privilege
Work Product Doctrine

EXHIBIT 2A

Diaz maintained an Excel spreadsheet showing various payments of 2004 property taxes noting whether payment is in cash or check and pertinent dates, amounts, and check numbers. *redacted*

EXHIBIT 2B

A tax stub is the bottom of the tax bill document. It is normally completed to indicate payment of taxes on various parcels. Per Town Clerk Diaz, tax stubs are maintained by the clerk as backup evidence of tax payment. This exhibit represents the tax stub for *redacted* indicating payment of *redacted* 2004 property taxes by check *redacted* on 11/4/2004.

EXHIBIT 2C

Diaz was then shown a copy and details of the 11/6/04 deposit ticket as retrieved from CNB. Currency of \$3,940 and 12 checks, totaling \$14,300.78 were deposited on 11/16/04. She was asked why *redacted*

redacted. She hesitated. Diaz reviewed the book of carbon deposit tickets and rubbed her hand between the ticket of 11/1/04 for \$438 marked "recordings" and her ticket of 11/6/04 that was copied over the 11/1/04 ticket. She said that the deposit ticket recorded by her carbon deposit ticket that matched the bank's was missing from the bound book, and that the bank's records were accurate.

Diaz rambled on to say that before she took the money/check bag to the bank, the contents spilled out in the town's vault. She picked up what she could and deposited the items with another deposit ticket. She was again asked to explain how currency increased to \$3,940 *redacted*

EXHIBIT 2D

Diaz was then shown a copy of a deposit ticket dated 11/1/04 with 15 checks listed for "recordings" in the amount of \$438. She reviewed the carbon ticket in her book. We told her that this ticket was a true deposit and had been written over to create the false 11/6/04 ticket.

EXHIBIT 2E

Attorney-Client Privilege
Work Product Doctrine

Diaz was shown the copy of the deposit ticket and details of the CNB deposit on 11/2/04. This ticket matches the 11/1/04 carbon ticket for \$438.00.

EXHIBIT 3

Diaz was asked to review a copy of a deposit ticket dated 5/31/05 for \$16,124.02 for 12 items. We couldn't read this ticket during our visit on 8/11/06, so we asked her to clarify what this ticket represented for deposits. She told us that the deposit contained an adding machine tape that included 12 amounts. She handwrote on this copy that \$16,124.02 was comprised of 12 checks.

EXHIBIT 3A

Diaz was then asked to examine this same deposit ticket during our visit on 12/21/06. She said that the deposit was comprised of \$12,782.02 by checks and \$3,246.00 in cash. She had dated and initialed this ticket.

EXHIBIT 3B

Diaz was asked to examine a copy of the deposit ticket and details of the 5/31/05 ticket as retrieved from CNB. The deposit of \$3,246.00 as cash and 12 checks for \$12,782.02, totaling \$16,124.02 was deposited on 6/6/05. *redacted*

redacted

Attachments

Attorney-Client Privilege
Work Product Doctrine

Re: MDCOV0001-01

<u>Month/Year</u>	<u>Hours</u>	<u>Task</u>
8/8/06	4.0	Interview C. Diaz. She discusses duties of town clerk/treasurer, overseer of public funds, bookkeeper for school board, assistant to listers, minute taker for selectmen, and maintainer of voter check lists. Review town operations and identify financial and computer data and records. Examine vault and check stock. Discuss security of vault and building.
	2.0	Review copies of Community National Bank (CNB) statements and disbursement checks for 2004 and 2005 provided by <i>redacted</i>
8/9/06	11.0	Interview C. Diaz. Review official town records: property, licenses, land recording, cemetery, general fund, operating and expense funds. Examine collection process and recordings for taxes, licenses, copying, and land recordings. Review computer modules and back up. Examine general ledger, reserve accounts, payroll, accounts payable and receivable, manual checks, etc. Review warrant process, warrants and back up documentation. Examine vendor files, invoices, documentation, and disbursement payments. Begin review of receivables: cash and checks. Examine receipts if available. Focus on cash transactions: property taxes, tax sales, transfers, recordings, etc. Discuss penalties and interest fees for late tax payments.
8/10/06	12.0	Examine cash accounting and internal controls. Review records for property tax collection. Gather official tax records and begin copying: grand lists, tax tickets, tax stubs, CNB deposit tickets of C. Diaz, and collection reporting for 2004 and 2005. Compare lister hours to those recorded by C. Diaz.
8/11/06	7.0	Learn of petty cash journal entries for C. Diaz. Review entries and back up documentation. Finish copying tax records.

Attorney-Client Privilege
Work Product Doctrine

Re: MDCOV0001-01

<u>Month/Year</u>	<u>Hours</u>	<u>Task</u>
8/16/06	8.0	Review all Coventry documents retrieved. Realize there is no reconciliation of tax collection. Focus on total transaction analysis of all tax collection: comparing official tax records kept by C. Diaz to grand lists, tax tickets, tax stubs, deposit tickets to CNB and CNB bank statements.
8/17/06	1.0	Conference call with W. Davies and M. Marcotte. Discuss initial analysis and ongoing strategy.
	0.5	<i>redacted</i> and A.M. Mooney discuss call.
8/29/06	7.5	Conduct total transaction analysis for 2004 taxes.
9/13/06	7.0	Conduct total transaction analysis for 2004 taxes.
9/21/06	7.0	Conduct total transaction analysis for 2004 taxes.
10/2/06	6.0	Conduct total transaction analysis for 2004 taxes.
10/10/06	7.0	Conduct total transaction analysis for 2005 taxes.
11/8/06	7.0	Conduct total transaction analysis for 2005 taxes.
11/10/06	7.0	Conduct total transaction analysis for 2005 taxes.
11/27/06	7.0	Conduct total transaction analysis for 2005 taxes. Compile list of 52 missing tax stubs for 2004 and 2005 taxes.
12/18/06	7.0	Meeting at May & Davies with W. Davies, K. Clark, M. Marcotte, <i>redacted</i> and A.M. Mooney. Discuss review, ongoing strategy, and tax sale process for 2004, 2005 and 2006.

Attorney-Client Privilege
Work Product Doctrine

Re: MDCOV0001-01

<u>Month/Year</u>	<u>Hours</u>	<u>Task</u>
12/19/06	10.0	Question C. Diaz about her penalties and interest fees calculations for late tax payments. Review official tax records and documents as kept by C. Diaz for 2006. Question C. Diaz about inconsistencies of record keeping for 2004, 2005 and 2006. Discuss town meetings, elections, voting and voter registration. C. Diaz explains 52 missing tax stubs. Copy these 2004 and 2005 tax stubs. Begin copying all 2006 official tax records: grand lists, tax tickets, tax stubs, CNB deposit tickets, and documentation of C. Diaz.
12/21/06	7.0	Learn of tax bag. Examine and record contents: cash, checks, tax tickets and tax stubs for 2006 taxes. There were no bank deposits made to CNB after 11/3/06 (tax day 2006). Bag contained: \$2,516.64 cash and \$10,473.65 checks collected after 11/3/06. Penalties and interest were not assessed or collected. Continue copying 2006 tax records.
12/26/06	.25 (N/C)	Telephone call to <i>redacted</i> Discuss situation.
	.25 (N/C)	Telephone call to <i>redacted</i> request CNB deposit information (directly from CNB) for 6/6/05 deposit.
1/12/07	1.5 (N/C)	After reviewing 6/6/05 information from CNB, work with <i>redacted</i> to obtain all bank statements, deposit checks and disbursement checks for Coventry from 2004 to present (ongoing monthly).
2/20/07	2.0	Compare CNB information to tax records for 2004.
2/21/07	2.0	Compare CNB information to tax records for 2005.
2/23/07	2.0	Compare CNB information to tax records for 2006.

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Re: MDCOV0001-01

<u>Month/Year</u>	<u>Hours</u>	<u>Task</u>
2/26/07	7.0	Copy missing tax stubs for 2006. Note checks for late payment of property taxes not deposited.
2/27/07	3.0	Meet with <i>redacted</i> at CNB. Review NSF details for 2004, 2005, 2006 and 2007.
	4.0	Review NSF items for 2004, 2005, 2006 and 2007 with C. Diaz.
2/28/07	4.0	Prepare for interview of C. Diaz with copies of pertinent documents.
	3.0	Interview C. Diaz with documents.
3/1/07	4.0	Document discrepancies and responses. Make copies.
3/2/07	2.0	Draft discrepancy report with corresponding documents. Telephone call, email and mail to <i>redacted</i> (N/C).
3/7/07	5.0	Conduct total transaction analysis for 2006 taxes.
3/23/07	1.0	Conference call with <i>redacted</i> . Discuss discrepancy report and documents.
4/27/07	2.0	Conduct total transaction analysis for 2006 taxes.
5/2/07	2.0	Conduct total transaction analysis for 2006 taxes.
5/3/07	2.0	Conduct total transaction analysis for 2006 taxes.
5/16/07	2.0	Conduct total transaction analysis for 2006 taxes.
5/18/07	2.0	Conduct total transaction analysis for 2006 taxes.
5/24/07	2.0	Compare CNB records to 2006 tax records.
5/31/07	2.0	Compare CNB records to 2006 tax records.

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Re: MDCOV0001-01

<u>Month/Year</u>	<u>Hours</u>	<u>Task</u>	
6/6/07	2.0	Compare CNB records to 2007 information <i>redacted</i>	<i>redacted</i>
6/18/07	2.0	Compare CNB records to 2007 information <i>redacted</i>	
6/20/07	2.0	Compare CNB records to 2007 information <i>redacted</i>	
6/21/07	2.0		<i>redacted</i>
6/26/07	2.0		
6/29/07	2.0		
7/5/07	2.0		
7/6/07	2.0		
7/9/07	2.0		
7/16/07	2.0		
7/23/07	2.0		
7/27/07	2.0		

Attorney-Client Privilege
Work Product Doctrine

Re: MDCOV0001-01

Month/Year	Hours	Task
7/30/07	N/C	Final draft of discrepancy report with supporting documents.
8/13/07	N/C	Telephone G. Besaw. Request school board contracts. He faxes them.
9/25/07	2.0	Meet K. Clark at Littleton, NH Police Department. Submit final discrepancy report and supporting documents to K. Clark. Discuss report and documents.
Ongoing	85.0+ @\$40/hr N/C	\$3,400+ Administration, binding, copying.
	30.0+ @\$200/hr N/C	\$6,000+ Travel time.
	15.5+ @\$200/hr N/C	\$3,100+ Communication with ^{redacted} (CNB)
	20.0+ @\$200/hr N/C	\$4,000+ Communication and updates with W. Davies, M. Marcotte, K. Clark
	40 mi. RT Atkinson, NH – Exeter, NH-Atkinson, NH @ \$.50/mi	
	34 trips N/C	\$680

Total Fees 204 hours at \$200 per hour = \$40,800.00

N/C Fees and Expenses (as listed) = \$17,180+

Total Fees Anne Marie Mooney

redacted