

Embezzlement: Oversight stops at town lines

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MONTPELIER —Embezzlers have lifted more than \$3.5 million from Vermont government entities including cemetery commissions, towns and solid waste districts in recent years. State leaders are reluctant, however, to embrace any reforms that would require telling those cemetery commissions, selectboards and solid waste districts how to do business.

At the heart of the matter: Vermont's longstanding tradition of local control in a state of many small towns.

“We should share our protections with local communities. We can't tell them what to do,” said Gov. Peter Shumlin, who last year called a \$500,000 embezzlement from a state office an aberration but now acknowledges there have been a surprising number of embezzlements across Vermont. “I do believe in local control. I have confidence in our local officials to manage their governments without the heavy hand of Montpelier.”

State Auditor Tom Salmon, a Republican, accused Shumlin, a Democrat, of merely talking when action is needed.

“The governor wants to change the culture. That's a speech on a stump without a toolbox,” Salmon said. “We need tools.”

In most of the cases of embezzlement that have come to light in Vermont over the last year, a lone employee has taken advantage of a small organization with scant oversight to sneak off with tens or even hundreds of thousands of dollars in public money. As Salmon talks of shoring up oversight, other Montpelier leaders shy away from issuing mandates to require that.

“I'm willing to start the fight,” Salmon said, acknowledging his proposals will meet opposition on the local-control front. “We've got people who are not skilled handling large amounts of money.”

When legislators return to Montpelier in January for the 2012 session, embezzlement will be among the topics discussed, said House Speaker Shap Smith, D-Morris-town. Requiring a financial training course for local officials is something he'd consider, he said, but he balks at further state involvement.

“I think this is first and foremost an issue that local governments need to deal with,” Smith said. “I'm not looking to put more mandates on towns.”

Senate President Pro Tempore John Campbell, D-Windsor, offered this analogy: A recent spate of burglaries hit the town of Hartford, where residents tend not to lock their doors. When people heard about the burglaries, they started locking up, he said. They didn't need the state to tell

them to do that, he said.

Campbell argued that local boards will do the same regarding embezzlement. Now that word is out about the recent cases, people are talking about it. He said of Salmon's proposed requirements, "It's pretty much saying they're not competent."

Frank Bryan, political science professor at the University of Vermont, has spent decades studying local Vermont government and argues that local control has steadily eroded to the detriment of democracy. It's far easier to hide crimes behind a bureaucracy than among neighbors, he argues.

"It's been a wise and prudent and just and efficient system of having local towns decide who's in charge of the books," Bryan said. He then referred to a Salmon proposal to appoint town treasurers instead of electing them.

"I don't think we're going to end any crime wave in Vermont by appointing treasurers. It might be worse."

Keeping books

A year-long Burlington Free Press series has found it common in local embezzlement cases for a treasurer to be the only person who knows which checks are being written, and to whom. Some embezzlers even kept public financial records in their own homes. Schemes tend to be exposed when an embezzler takes a vacation and a colleague finds an unexplained discrepancy or a check made out to an unauthorized vendor.

Local Vermont governments face few state restrictions when it come to keeping their books. Those towns that receive \$500,000 or more of federal money per year are required to conduct an audit, state Finance Commissioner Jim Reardon said. State agencies monitor the spending of state grant money that goes to towns, he said. Otherwise, towns are pretty much on their own to decide how often or by whom they are audited, who and how many people oversee the checkbook or how the treasurer and board interact.

John Cushing, who has been elected Milton town clerk and treasurer for 42 years, said when he started he had little in the way of a system of checks and balances. He said he wanted more oversight; today, three people set their eyes on every Milton check.

Cushing said whenever he buys a new car, he lives in fear that people will think he bought it with embezzled money. Having systems in place to prevent that is his only solace, he said.

Plenty of town officials could use help establishing such systems, said Wendy Wilton, city treasurer in Rutland, who said she favors some mandates. She suggests:

- Treasurers should be required to report to the selectboard quarterly with updates on spending and bank accounts.

- Both the treasurer and the selectboard should receive training.
- Candidates for local offices should receive the statutes spelling out their responsibilities.

Auditor Salmon said he knows he would run into too much resistance if he tried to get the state to offer prescriptions on how localities should operate, although he'd like to eventually. "I think it's a good long-term goal, a five-year goal," he said.

Meanwhile, he said, he wants to focus on educating local officials on recommended practices. Salmon's office has put together checklists for local governments to follow. The Vermont League of Cities and Towns is working on a guidebook for internal controls.

Salmon has made several proposals in response to embezzlements. Besides shifting the job of town treasurer from an elected to an appointed position, he suggests:

- Requiring officials from any organization that receives state money to undergo financial training.
- Transferring school business manager duties from local districts to a county system.

The governor sees the remedy differently.

Shumlin said providing checklists and promoting training is the sort of help the state should be providing — recommendations, not orders. When he started serving on the Putney Selectboard years ago, Shumlin said, he thought that audits were designed to catch fraud. That they are not is something he's learned over time.

Shumlin said what's needed is for the state, working with the Vermont League of Cities and Towns, to provide guidance to local governments about preventing fraud. He promotes more transparency as well. Specifically, he would push to make more government information available online to give the public a better chance to scrutinize spending.

"We don't need legislation, we need leadership," the governor said.

State Sen. Randy Brock, R-Franklin, a former state auditor who is challenging Shumlin for governor next year, sounds a similar chord. "I always hesitate to mandate common sense. You can mandate action but you can't mandate healthy skepticism."

He has, however, dabbled with some mandates. Brock sponsored legislation that passed last year that requires auditors to report weaknesses to a selectboard and to notify the public, in hopes of avoiding situations where audit reports stay unread on a shelf.

Ultimately, Brock said, it's up to local officials to do their jobs, and for the voters to replace them if they don't. "They should hold the officials accountable," he said.

Mandates

Some mandates go over more easily than others. Rep. Donna Sweaney, D-Windsor, chairwoman of the House Government Operations Committee, said mandating training courses for local officials sounds plausible to her.

A former selectboard member, Sweaney said too often town officials give only a cursory look at the books. Perhaps in part that's because they don't know what to look for. "I think they need to have some kind of training," she said.

One thing that makes such a mandate palatable: the price tag. State Auditor Salmon said training would cost organizations \$40 to \$60.

An idea far less likely to gain traction is switching town treasurers from elected to appointed positions. Salmon argues the move would allow selectboards to scrutinize candidates and hire people qualified to do a job that he said is not for everyone. The treasurer could also then be accountable to the selectboard, which elected officers are not, he noted.

He doesn't have many state officials buying the idea, however.

House Minority Leader Don Turner, R-Milton, thought it sounded good when Salmon explained it, but after hearing Cushing, his own town's elected treasurer, make the case for having a treasurer who doesn't answer to the selectboard, he said, "I may be wavering."

'It's their money'

Cushing, the Milton treasurer, said the issue is much talked about among treasurers. There is evidence, however, that local residents are not looking to the state for solutions to embezzlements. Both Smith and Turner said they have not heard from constituents or lawmakers that they want state action on the issue.

In essence, that might reinforce state leaders in their view that the buck stops with the local voter.

"Ultimately, it's their money," said Smith, the House speaker.

Steve Jeffrey, executive director of the Vermont League of Cities and Towns, said news stories about the embezzlements have raised awareness. "We're hopeful that given the kind of exposure we've seen that people will be taking this to heart and make the investment," he said.

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