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December 31, 2007

Board of Finance
Town of North Haven
18 Church Street
North Haven, CT 06473

We were engaged to perform additional procedures regarding the investigation concerning an alleged misappropriation of assets of the Community Service Department of the Town.

OBJECTIVES:

The objectives of the investigation were to:

1. Determine the amount, if any, of misappropriated funds.
2. Determine the validity or business purpose, if possible, of certain disbursements for the Community Service Department activities.
3. Determine the validity or business purpose, if possible, of certain reimbursement requests for the Community Service Department and Day Care activities.
4. Determine the amount of overtime paid to certain Community Service Department employees by review of the documentation provided by the Town.

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SCOPE OF THE INVESTIGATION:

The scope of our investigation was limited to the specific invoices provided by the Town for our review. The invoices were for the period July 1, 1999 through June 30, 2003.

We were also provided certain payroll reports (Hours and Earnings Report) to review for Community Service employees for the period January 1, 1996 through June 30, 2003. We were not provided and did not review and timesheets or other supporting documentation related to the amounts paid.

We were also provided a handwritten schedule history of the Ken Glick donations.

BACKGROUND INFORMATION:

This report is an extension of some of the procedures performed in the initial investigation. In some cases the extent of procedures differs from those performed in the first reports due to the types of records which are available for our review.

Source Documents

We inspected the following documents:

1. The invoices and other supporting documentation provided to us for review related to certain cash disbursements for the period July 1, 1999 through June 30, 2003 for the following funds:
 - a. Emergency Fund
 - b. Community Service Fund
 - c. Daycare Fund
2. The "Hours and Earnings Report" from the payroll software for the period January 1, 1996 through June 30, 2003.
3. A handwritten schedule of the history of the Ken Glick donation amounts for the fiscal years 1986 through 2007. Mr. Glick had indicated to the Town that he increased the donation by \$50 per year.

Summary of Procedures Performed

1. For the supporting documentation provided we performed the following procedures:
 - a. For mileage reimbursements we recalculated the number miles times the mileage rate and noted any differences.
 - b. We noted the nature of the disbursement and based upon information available, we attempted to determine the business purpose of the transaction.
 - c. We noted the types of items submitted by employees for reimbursement and paid by the Town.
 - d. We noted who approved the voucher for payment.
2. For the period January 1, 1996 through June 30, 2003 we examined the Hours and Earnings Report for the following employees **Patricia Ierardi and three other Community Service employees**. For each employee we noted the amount of over time paid for the period. We also calculated the related employer share of medicare and social security taxes paid by the Town for those overtime amounts.
3. We did not perform any procedures related to the Ken Glick donations due to the unavailability of Day Care cash receipt documentation. The total amount of contributions said to be made by Ken Glick from fiscal year 1987 to fiscal year 1998 totaled \$4,550.

Theory

Based upon the information obtained from the arrest warrants, discussion with Town personnel, examination of existing documentation or lack thereof, Town assets were allegedly misappropriated using the following methods and schemes:

1. Travel reimbursements were allegedly paid for miles that were not actually incurred for Town business.
2. Other reimbursements requests were submitted by various employees as directed by the Community Service Department Director and/or Assistant Director. The supporting documentation was allegedly fraudulent and the checks were cashed and then provided to the Community Service Department Director and/or Assistant Director.
3. Overtime was paid to certain employees based upon alleged fraudulent timesheets authorized by the Community Service Department Director and/or Assistant Director with knowledge that the employee did not actually work the hours claimed.



Theory (continued)

4. Certain checks paid by the Town for advances, although paid to other Community Service employees, were cashed and the cash was then provided to the Community Service Director (per arrest warrant). There is no accountability for the use of these monies.

Findings

The following findings are a result of our investigative procedures:

1. With respect to the invoices and other supporting documentation provided to us for review related to certain cash disbursements for the period July 1, 1999 through June 30, 2003 for the **Emergency Fund, Community Service Fund and Day Care Fund** we noted the following:
 - Certain disbursements paid to Joseph Ierardi had supporting documentation but the validity of the documentation is in question.
 - Certain other disbursements that were paid to other employees and approved by Joseph Ierardi did not have adequate supporting documentation.
 - Certain other disbursements that were paid to other vendors or employees and approved by Joseph Ierardi had supporting documentation but the validity of the documentation is in question.

A summary of the amounts by fiscal year for the above amounts are on **EXHIBIT 1**.

2. With respect to the amounts paid for overtime for the period January 1, 1996 through June 30, 2003 for **Patricia Ierardi and three other Community Service employees**, we noted the following:
 - We prepared a schedule of the hours and amounts paid from the “Hours and Earnings Report” for the overtime paid for Patricia Ierardi and three other Community Service Department employees. One employee was not paid any overtime and one other employee was [paid only 5 hours for the entire period reviewed. This appears to be an isolated occurrence and therefore this amount is excluded from the amount report on **EXHIBIT 1 and EXHIBIT 2**.

Since there is no documentation of the validity of the time worked, we performed the calculation as if all time claimed for overtime was not valid, based upon information contained in the arrest warrant.

- The results of this analysis are included on **EXHIBIT 2**.



RESTRICTIONS:

This report is intended solely for use of the Board of Finance, Board of Selectman and the management of the Town of North Haven and should not be used for any other purpose without our prior permission for each occasion.

The validity of this report is predicated on the extent to which full, honest, and complete disclosure was made to all parties.

ASSUMPTIONS:

In performing our analysis we made the following assumptions:

1. The supporting documentation (unless otherwise noted) was the original documentation that was used to process the transaction at the time it occurred.
2. Statements included in the affidavit for the arrest and made to us directly were accurate. Specifically they were accurate regarding overtime claimed by certain employees, expense reports, and reimbursement documentation for advances.
3. For the overtime calculation, based upon the arrest warrant, that overtime claimed was not valid.

Kostin, Ruffkess & Company, LLC

Kostin, Ruffkess & Company, LLC
Farmington, Connecticut

Attachment: Exhibit 1-2

TOWN OF NORTH HAVEN, CONNECTICUT

SUMMARY OF INVESTIGATION PROCEDURES

Amounts paid directly to Joseph Ierardi or Patricia Ierardi

Amounts with adequate supporting documentation, but the validity of documentation is in questions (travel reimbursements)	\$ 333.96
Overtime paid to Patricia Ierardi (1/1/1996 through 6/30/2003)	<u>45,092.20</u>
SUBTOTAL	<u>45,426.16</u>

Amounts approved by Joseph Ierardi or Patricia Ierardi (paid to other vendors or employees)

Amounts with adequate supporting documentation, but the validity of documentation is in questions	1,929.66
Amounts without adequate supporting documentation (advances)	2,000.00
Overtime paid for other Community Service Department employees	18,991.66 *
Payroll taxes related to questionable overtime paid - Patricia Ierardi	3,449.55
Payroll taxes related to questionable overtime paid - other Community Service Department employees	<u>1,452.86</u> *
SUBTOTAL	<u>27,823.74</u>
TOTALS	<u>\$ 73,249.90</u>

* No timesheets were examined for these amounts and therefore, no evidence of approval.

