

FOR IMMEDIATE RELEASE

October 3, 2019

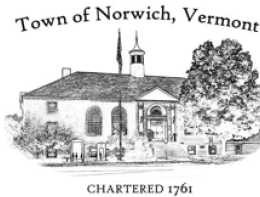
The following is a statement of the Town of Norwich Selectboard, adopted at a special meeting held October 2, 2019. Questions should be addressed to the Selectboard at its next scheduled meeting on October 9, 2019.

On August 28, 2019, during an Executive Session of the Norwich Selectboard during a regularly scheduled meeting, the Selectboard learned that certain Automated Clearing House (ACH) transfers had been initiated by the Town without prior authorization from the Selectboard, in violation of written Town and Selectboard financial policies. The Town Treasurer and certain individual members of the Selectboard had previously been aware of certain details of these transfers, which occasioned the Executive Session.

Further investigation has revealed that Town internal financial controls were violated multiple times in the past several months and that those violations fell into two broad categories. First, a series of ACH transfers were made without Selectboard approval. Available information suggests that this was as a result of a failure to include them in the periodic payment warrants prepared by the Town Finance Dept. for approval by the Selectboard. At this time, the investigation of these payments is ongoing, but there is no evidence that would suggest that any of these payments were made fraudulently or to recipients who were not entitled to the payments they received.

The second category concerns four specific ACH transfers made between August 6 and August 23. Those four transfers were made in response to requests for payment sent to a Town officer in emails constituting a "Business Email Compromise scam". In this case, the sender's email purported and appeared to have come from Town Manager Herb Durfee, but did not. These payments were each made with no authority from the Selectboard and, as such, were made in violation of written Town policies. These payments total \$249,720.

During the intervening period, the Town has initiated two different investigations of these events. The first is an internal investigation of the processes and procedures of the Town to determine whether changes are warranted to protect against such attacks in the future. The second investigation is criminal in nature and was initially led by Norwich Police Chief Jennifer Frank, in cooperation with Vermont State and Federal law enforcement. That investigation has been fully assumed by the Vermont US Attorney's office and is focused externally on the person or persons who perpetrated this email fraud. Any questions regarding the criminal investigation should be referred to the US Attorney for the State of Vermont.



The Selectboard intends to receive in the next week the preliminary results of the internal investigation. Our priorities at this point are, in order, to recover any funds, if possible, from the person or people who have taken these funds. Second, to ensure that the citizens of Norwich are fully informed of how this happened, what the investigation has revealed, and what the Selectboard intends to do in response to these events. Third, to provide the employees of the Town with the resources and support necessary to ensure that they are able to work to the utmost of their considerable talents and commitment to Norwich.

We will continue to make public statements on these matters as and when further information comes to light. We cannot overstate the Selectboard anger and sadness we feel about this loss for our Town. We will provide time during our next regular Selectboard meeting on October 9 to field questions about these matters.

Thank you

Town of Norwich Selectboard

John Pepper, Chair
Claudette Brochu, Vice Chair
Mary Layton
Roger Arnold
John Langhus