

Scathing audit of South Shore transit system released

By Kathryn Reed

If the 2008-09 audit of South Tahoe Area Transit Authority's books had been completed before this fall, would it have meant avoiding bankruptcy?

Dan Garrison, treasurer of the board of the bankrupt agency since January 2010, doesn't think so. He says several factors contributed to the financial ruin of STATA.

Joe Harn, auditor-controller for El Dorado County, believes "this would have been really useful information to have in 2009."



A BlueGo bus parked illegally in front of a private residence in South Lake Tahoe.
Photo/Kathryn Reed

"This is the worst (audit) I've ever seen for an organization this size. The weaknesses in internal control are the worst

I've ever seen," Harn said. He's been in the business since 1979.

Even the auditors aren't happy with the cooperation it got from the STATA board. "We were unable to get written representations from management of STATA as required by auditing standards generally accepted in the United States of Americas (sic) and the standards applicable and to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States."

The audit was due last spring. C.G. Uhlenberg LLP out of Redwood City dated the report Oct. 1, 2010. The firm said it could not express an opinion on the financials because of the lack of information provided by STATA.

The firm goes on to say, "The audit we were engaged to perform was for the purpose of forming an opinion on the basic financial statements of STATA taken as a whole."

Garrison, on behalf of the STATA board, accepted the report. It had been on a number of STATA agendas throughout the summer, but the Tahoe Regional Planning Agency wanted to give input and sought revises.

TRPA is involved because it's the agency that hired John Andoh in May 2008 as transit administrator for BlueGo, the name of the Shore Shore buses. STATA oversees BlueGo and the seasonal trolleys.

At first Andoh reported to Nick Haven, TRPA transportation team leader. Haven was not available for comment. Andoh reported to the STATA board starting in July 2009. That board and Andoh subsequently parted ways.

"TRPA is reviewing the STATA audit and remains concerned about the difficulties facing the transit system," TRPA spokeswoman Julie Regan said.

This audit is for the fiscal year when TRPA was in charge of Andoh. He was hired to run the buses. No one, apparently, was running the books.

“The fact is, Mr. Andoh was over his head and simply not qualified to properly control and maintain the responsibilities expected of him nor, in the end, was he able to perform to the level of experience he claimed he had during the hiring process,” Garrison said. “During the first quarter of 2010, STATA brought in an outside transit consulting firm to assist us in determining our actual operational and financial status. It had become somewhat obvious that the financial condition of STATA was not what we had been led to believe under Andoh’s watch. At the same time, with the ’09 audit running way behind, we secured a second accounting person to assist the STATA accountant in playing catch-up.”

The audit points out how grant reporting was abysmal.

As noted in the audit, STATA did not have an account just for its operations until June 2009.

The audit says, “... we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.” It goes on to say, “The results of our test disclosed instances of noncompliance or other matters that are required to be reported ...”

The audit includes information about Fairfield based MV Transportation, the firm now suing STATA, that had been operating BlueGo. It talks about repaying MV \$825,000 at 8 percent interest through May 2014.

That isn’t going to happen now that STATA is in bankruptcy and MV has multiple lawsuits on the books. Knowing STATA has few assets except for the \$677,000 in a bank account that MV got a judge to freeze and a few outstanding grants that are likely to trickle in, MV is contemplating suing the individual board members of STATA.

Those members represent public and private entities – South Lake Tahoe, El Dorado County, Douglas County, Harveys, Harrah's, Horizon, MontBleu, Lakeside Inn, Heavenly, Ridge Resorts, Tahoe Transportation District and TRPA.

Garrison said everyone has resigned from the STATA board. But they could still be sued.

The Tahoe Transportation District has been running the coordinated transit system for several weeks and is expected to officially take it over starting Nov. 1. STATA will likely dissolve through bankruptcy court.

"If there is to be a transit system going forward, it will be under the professional oversight of TTD," Garrison said.

El Dorado County has reached a settlement agreement with MV that is expected to be accepted by the bankruptcy court judge Dec. 1.

"The amount of the settlement is \$160,000 for all litigation," Mike Applegarth, with the county's Chief Administrative Office, said.

At the last TTD meeting county transportation officials intimated they would be back on board if TTD were in charge. Applegarth told *Lake Tahoe News* that isn't true.

"The county is not contemplating a partnership or a participation agreement with TTD or any other party," Applegarth said. "If TTD does provide transit service in the basin on a prospective basis, in order to utilize the county's two Tahoe transit vehicles and transit funds, there would need to be further action by the Board of Supervisors and the TTD board of directors, and that could not take place until pending motions in the bankruptcy court on TTD's contract with STATA regarding transit service are heard."

The county has a seat on the TTD board per Article IX of the

TRPA Compact.

Carl Hasty, executive director of TTD, told *Lake Tahoe News* before the audit was released that he does not need to read it – his group is going forward with the intent to provide coordinated transit to the South Shore despite the poor prior fiscal management and dire financial conditions the system is in.