

# TRPA defends using same auditor city of Bell employed

By Kathryn Reed

The Tahoe Regional Planning Agency is using the same auditing firm the financially ruined Southern California city of Bell used.

While the bi-state regulatory agency entered the agreement in May 2010 – six weeks before the mayor of Bell resigned – the agency chose to stick with the controversial firm when the news about that city spread like wildfire.



The auditor contract says TRPA could terminate the agreement with 30-days notice.

The three-year \$173,350 contract also covers audits for Tahoe Transportation District and the now bankrupt South Tahoe Area Transit Authority.

And while Kristi Boosman and Jeff Cowen – spokespeople for TRPA – vehemently maintained the one audit Mayer Hoffman McCann has done to date was thorough, they also said that it wasn't the same group of auditors working on the TRPA that did the Bell audit.

However, on Page 7 of the 24-page document it shows that TRPA was working with the Irvine office of Mayer Hoffman McCann – the same office Bell used. This doesn't mean it's the same people doing the audit, but the firm does have offices in Northern California.

Several cities stopped using the international accounting firm after California's controller issued a scathing indictment of the firm.

State Controller John Chiang on Dec. 21, 2010, said in a press release, "MHM appears to have been a rubberstamp rather than a responsible auditor committed to providing the public with the transparency and accountability that could have prevented the mismanagement of the City's finances by Bell officials. Had MHM fully complied with the 17 applicable fieldwork standards, it would have led them to identify some – if not all – of the problems my office has uncovered since August."

MHM President Bill Hancock that same day in a press release said, "Clearly the events in Bell are tragic and outrageous. Mayer Hoffman adheres to the highest standards, and we have forged a reputation for integrity and quality throughout our 50-year track record of service. But in those 50 years we have never seen anything like the pervasive collusion of so many individuals acting in concert to deceive auditors, as happened at Bell."

### **Why does this matter?**

There are several reasons an audit is important, with one of the main ones being it is a document for elected officials – appointed in the case of the TRPA Governing Board – to know if their staff is running a financially sound operation.

The auditor should work directly for the City Council, Board of Supervisors or Governing Board.

This was not the case with the firm hired by the TRPA. The decision to hire Mayer Hoffman McCann was done through a request for proposal, but the Governing Board never voted on it, according to Cowen. This is because, according to Cowen, the board only needs to vote on items not in the budget or that are more than \$100,000 a year.

Governing Board Chairman and El Dorado County Supervisor Norma Santiago did not know MHM was the same firm Bell used until *Lake Tahoe News* called her. She said the administrative team at TRPA handles the audit, with the operations committee

having a say.

John Breternitz, who is chair of the operations committee and on the Governing Board as Washoe County's representative, said, "We picked the same firm we used last time."

It's true this year's audit will be done by the same firm because of the three-year contract, but this is the first time MHM has had a contract with TRPA.

When Breternitz was asked if he knew about MHM's work in Bell, he said, "I think that was mentioned." When pressed further, he said, "I guess I don't know all the details about the Southern California city."

Boosman, the TRPA flack, wanted the former CFO instead of someone on staff to speak for the agency in terms of what happened once it came to light about the firm and Bell.

Executive Director Joanne Marchetta had a phone interview set up with this reporter for Sept. 20 that she canceled that morning and her assistant has not responded to an email to reschedule it.

## **Other things**

C.G. Uhlenberg LLP was the firm TRPA used prior to MHM.

"I found TRPA's prior auditors to be unorganized and they did not communicate well with one another. That led to them wasting public resources (my staff's time). They also were not on top of the professional standards the way I thought they should be," Rhonda McFarlane, TRPA's former chief financial officer, told *Lake Tahoe News*. "As a CFO, I have always used the auditors as my professional resource for questions and information I may need on generally accepted accounting principles or best business practices. Unfortunately, I was more knowledgeable than the prior auditors, and thus they were unable to provide me the support I needed to be effective in

my job.”

In a Nov. 1, 2010, *LTN* story, El Dorado County Auditor-Controller Joe Harn said of the much overdue STATA audit, “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.” But that had to do with the information STATA gave to the auditor, not about the auditor.

McFarlane says through the RFP process and her experience with MHM at a prior organization she was confident in their abilities.

She told Jim Brockett, her boss at the time who also is no longer at the agency, about MHM’s connection to Bell.

There is no evidence, though, the Governing Board was ever told.

Hallye Jordan, deputy controller with the state, said her agency couldn’t recommend a private company be used or not used. Nor could the state office say if the situation with MHM in Bell might be an anomaly.

“We can’t say whether that means there are problems like that elsewhere,” Jordan told *LTN* in analyzing the situation in Bell.

The officials who took over for the disgraced Bell leaders called in the Controllers Office to do an audit. The audit the office is doing on the city of Montebello that was announced Thursday was triggered by consistently late reports regarding gas tax money and its redevelopment agency, Jordan said.

How a city, county or special district uses state and federal money could also trigger an audit by the state controller, Jordan said.