

Payouts coming from bankrupt Nevada Fire Safe Council, but accounting questions remain

By Susan Wood

After five years of wrangling between parties, Lake Tahoe businesses and fire agencies left burned by shoddy accounting practices from the bankrupt Nevada Fire Safe Council are expected to see reimbursements for fuel reduction efforts.

U.S. Bankruptcy Court of Nevada Judge Bruce T. Beesley ruled in favor of approving a settlement with the U.S. Department of Justice a few weeks ago to disburse a total of \$2.02 million to claimants. Property owners, fire units, contractors and vendors had performed work to protect against wildfire destruction through U.S. Forest Service and federal Bureau of Land Management grants managed by the NVFSC.

The Forest Service won't comment about the settlement.

Allen Dutra, trustee for the estate of the Nevada Fire Council, estimated he might know the exact allocations for the claimants in about 45 days. All those with money due for hazardous fuel reductions work will have 30 days to file a request form for the \$1.4 million and \$613,003 in claims. Allocations will be determined by how many claims are filed.



The Lake Christopher fuels reduction project in South Lake Tahoe got tied up with the Nevada Fire Safe Council bankruptcy. Photo/LTN file

Some claimants appear confused, disheartened or weary about their allocations as word begins to trickle out about the payouts.

“They’ll receive nothing if they don’t file. Others who do file will get theirs,” Dutra told *Lake Tahoe News*. “It’s unfortunate, but it’s called bankruptcy.”

In November 2012, the NVFSC filed for **bankruptcy** – which resulted in the federal agencies freezing all grant funds.

The matter was dragged into the courts when upon a tip the U.S. Department of Agriculture Office of Inspector General found in its investigation the NVFSC violated several federal regulations. It co-mingled federal grant money with other funds, allowed one person to handle the money and failed to conduct annual audits.

Lake Tahoe News in 2011 broke the story about the

accounting discrepancies.

The OIG report recommended the Forest Service recover \$2.7 million of the \$9.8 million it awarded the nonprofit. Gaps in grant money collected and reimbursements either paid or due to be paid out remain a mystery. The work amounting to \$3.4 million began as early as 2010.

“The report found that the debtor did not properly account for the grant funds awarded by the Forest Service, including the \$3.6 million Recovery Act grant and also a \$6.2 million non-Recovery Act grant. The OIG also found that funds from the Recovery grant and non-Recovery grant were co-mingled with debtor’s own funds and used to pay unauthorized expenses,” bankruptcy court documents obtained by *Lake Tahoe News* read.

The report indicated that Andrew List, a Carson City attorney who served as the NVFSC executive director between 2006-11, was responsible for handling the grants.

The NVFSC board pledged to the OIG it would hire an interim director, develop new accounting practices and turn to an accounting firm to manage its grants. About a year later, the fire safe council went under.

“I didn’t know I was doing anything wrong. I was just running it like previous directors,” List told *Lake Tahoe News*. “I’m proud of the work we did. I’m sorry it got caught up in some accounting irregularities, but not one penny was spent on anything not related to fuel reduction.”

But former board member Ann Brown, who served on the 11-member NVFSC from 2005-11, said she was concerned when contractors were paid in earmarked reimbursements from the same account employees were paid in salaries and benefits. She knew something wasn’t right.

That’s Accounting 101.

"We were getting a sense of something wrong in 2011. I think (List) got in over his head. There was no proof he did anything wrong," Brown said of the former director. "It was bad oversight."

Brown has a few regrets. She told *Lake Tahoe News* it's unfortunate "the settlement does not pay everyone." She said she has worked hard to not drop the ball on the claimants.

"There's no way I'd feel comfortable not to do my utmost to try to get contractors paid," she said.

"It's a double-edged sword. We had to settle to get a pro-rated share of the bankruptcy money. It's a no brainer we had to say yes. Now we are eligible for a share of this money," Lake Valley interim Fire Chief Jeff Michael said about the lawsuit during its Sept. 8 meeting.

Lake Valley stands to get about \$280,000.

The newly hired chief, Tim Alameda, attended that meeting as fire marshal for the North Tahoe Fire Protection District. He shared a similar sentiment.

"At first we said we would not accept the agreement. Our lawyers said if we go another step, we'll lose everything for everybody," Alameda said of fighting the compromise. "The good part is the work is done. It created a fuel break. We did good honest work."

Ditto from North Tahoe Fire Chief Mike Schwartz.

"The fire district respects the Department of Justice's approved payments and the Bankruptcy Court's settlement. The payment amounts vary, but not the outstanding forest fuels management work that was accomplished through these grants," he said.

And there lies the one glimmer of light from the messy accounting debacle – especially when hazardous fuel reduction

is a must in an area that lost 254 homes in the devastating Angora Fire of June 2007.

South Lake Tahoe homeowners like Susan Swift are all too familiar with that constant threat hanging over the eves of those trying to make a life in Tahoe.

One of her claims amounting to \$750 for tree removal, gravel laying and other work performed almost four years ago was finally approved by the judge. She's gratified with the latest news, but feels like the other fire districts that more should be paid out. She's due \$2,500 from two different properties.

"They kept saying, 'Don't worry'," Swift said, further admitting to having a trust issue with the money disbursements. "We still don't have an answer where it all went."