



MONEY & POLITICS | DAILY REPORT

Scandal-plagued Bell received accounting awards

December 20, 2010 | Chase Davis, California Watch

The auditing firm of Mayer Hoffman McCann has taken its share of fire lately for being the bean counters who gave the now-infamous city of Bell a clean bill of health, despite its deep and apparently long-standing history of financial fraud and abuse.

State Controller John Chiang is expected to release a review of the company's auditing practices next month, and last week the company commissioned a peer review [1] of its own, ostensibly to get to the bottom of what happened.

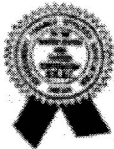
Certificate of Achievement for Excellence in Financial Reporting

Presented to:

City of Bell,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employer retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry
President

Jeffrey P. Gann
Executive Director

But Mayer Hoffman McCann was hardly the only organization that may have been hoodwinked by the city's accounting practices. Bell also received at least two awards for financial reporting of "the highest standards" back in 2005 – around the same time City Manager Robert Rizzo received a 47 percent raise [2], a city council member used public money to give his own organization a \$72,000 loan [3], and the city sold millions in pension bonds that would ultimately be financed by an illegal property tax increase.

Both awards were submitted as part of a bond prospectus, which is provided to investors deciding whether to purchase slices of municipal debt.

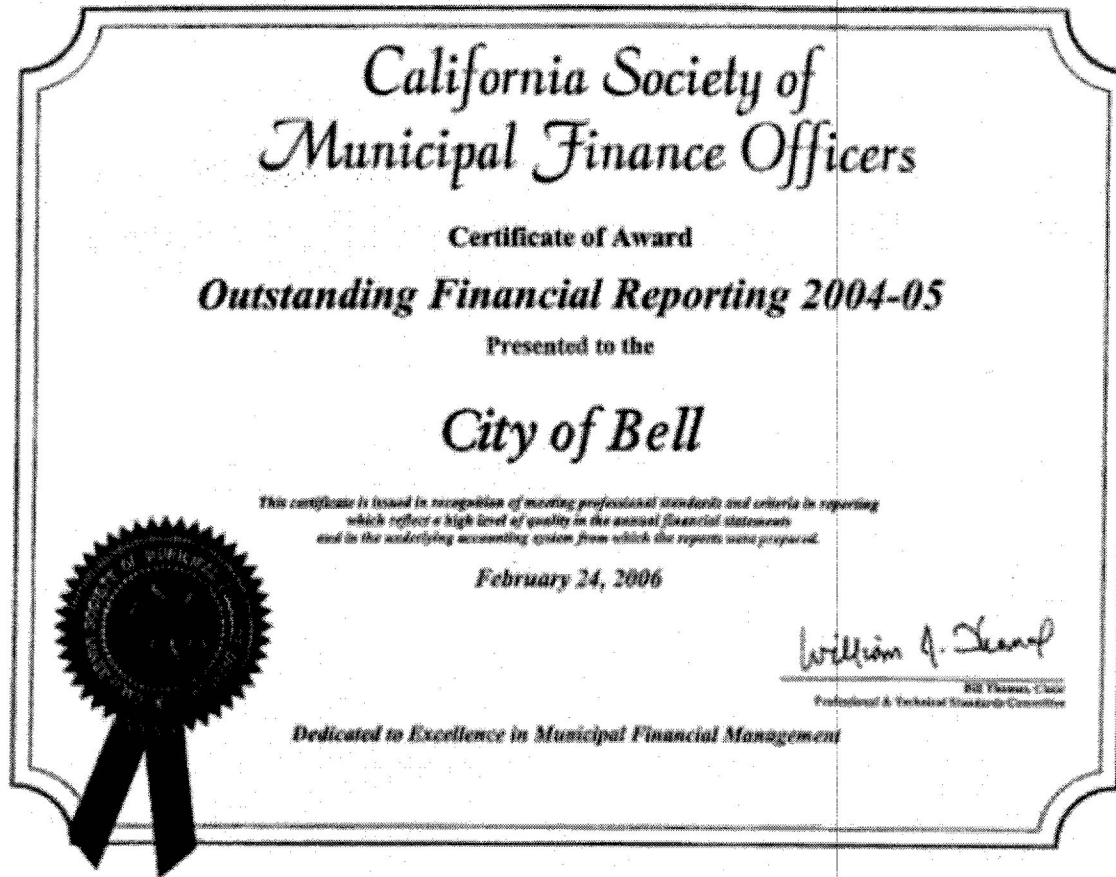
The first award, from the Government Finance Officers Association of the United States and Canada, lauds the city's financial statements for achieving "the highest standards in government accounting and financial reporting."

The organization's judging criteria [PDF] [4] says reviewers judge statements based partly on their adherence to generally accepted accounting principles [5], and partly on criteria designed to encourage cities to make their reports more open and accessible. Bell apparently won the award again [6] in 2008.

A spokesman with Mayer Hoffman McCann, which bond records show helped prepare the city's financial reports during its award-winning years, told the Los Angeles Times [7] last week that accounting standards and procedures were not designed to reveal things like outsized salaries. He also said the city of Bell may have hidden information from auditors.

"There may have been some collusion here between the city of Bell officials," he said.

The second award, from the California Association of Municipal Finance Officers, honored Bell for excellence in its annual financial reports and "the underlying accounting system from which those reports were prepared."



As the folks at Mayer Hoffman McCann have [pointed out](#) [8], accounting statements are only as good as the information that accountants and auditors are given. The auditing process might be perfect, but the results could be wildly off-whack if they're using doctored information.

Like Joe Crivelli, the firm's spokesman, [told the Orange County Register](#) [8]: "When the client wants to hide something, they can. If there's fraud going on, they're not going to be suddenly up-front and honest."

Still, awards like this help persuade investors that they are making safe bets, which is why they are included with bond offerings. And in the case of Bell, those bets [weren't as safe](#) [9] as some investors may have thought.

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Links:

- [1] <http://latimesblogs.latimes.com/lanow/2010/12/bell-auditing-firm-hires-outside-accountant-to-review-its-work.html>
- [2] <http://news.blogs.cnn.com/2010/09/21/ex-city-manager-among-8-arrested-in-bell-california/>
- [3] <http://articles.latimes.com/2010/sep/01/local/la-me-bell-loans-20100901>
- [4] <http://www.gfoa.org/downloads/PAFRJudging.pdf>
- [5] http://en.wikipedia.org/wiki/Generally_Accepted_Accounting_Principles

- [6] <http://anotheruniqueperspective.blogspot.com/2010/08/bell-california-and-its-comprehensive.html>
- [7] <http://www.washingtonpost.com/wp-dyn/content/article/2010/12/11/AR2010121101786.html>
- [8] <http://taxdollars.ocregister.com/2010/12/10/irvine-cpas-did-infamous-audit-of-bells-books/70200/>
- [9] <http://articles.latimes.com/2010/aug/11/local/la-me-bell-ratings-20100811>

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Entity Name	State	Entity Type	Fiscal Year	Number of Awards	Document
Adrian	MI	Municipality	June	30	CAFR Document
Alma	MI	Municipality	June	23	CAFR Document
Alpena	MI	Municipality	June	21	CAFR Document
Ann Arbor	MI	Municipality	June	30	CAFR Document
Battle Creek	MI	Municipality	June	16	CAFR Document
Bay City	MI	Municipality	June	14	CAFR Document
Bay County	MI	County	December	22	CAFR Document
Belding	MI	Municipality	June	15	CAFR Document
Berkley	MI	Municipality	June	3	CAFR Document
Big Rapids	MI	Municipality	June	30	CAFR Document
Birmingham	MI	Municipality	June	25	CAFR Document
Bridgman	MI	Municipality	June	14	CAFR Document
Brighton	MI	Municipality	June	6	CAFR Document
Burton	MI	Municipality	June	30	CAFR Document
Cadillac	MI	Municipality	June	30	CAFR Document
Calhoun County	MI	County	December	19	CAFR Document
Canton Charter Township	MI	Municipality	December	24	CAFR Document
Cass County	MI	County	September	19	CAFR Document
Center Line	MI	Municipality	June	3	CAFR Document
Charlotte	MI	Municipality	June	18	CAFR Document
Clio	MI	Municipality	June	2	CAFR Document
Dearborn	MI	Municipality	June	23	CAFR Document
Detroit Public Schools	MI	School District	June	13	CAFR Document
Douglas	MI	Municipality	June	3	CAFR Document
East Lansing	MI	Municipality	June	31	CAFR Document
Farmington Hills	MI	Municipality	June	17	CAFR Document
Fenton	MI	Municipality	June	27	CAFR Document
Flint	MI	Municipality	June	19	CAFR Document
Genesee County	MI	County	September	39	CAFR Document
Gladwin	MI	Municipality	June	21	CAFR Document
Grand Blanc	MI	Municipality	May	25	CAFR Document
Grand Blanc Charter Township	MI	Municipality	December	20	CAFR Document
Grand Rapids	MI	Municipality	June	38	CAFR Document
Grand Traverse County	MI	County	December	10	CAFR Document
Grosse Pointe Farms	MI	Municipality	June	22	CAFR Document
Grosse Pointe Woods	MI	Municipality	June	42	CAFR Document
Holland	MI	Municipality	June	23	CAFR

Document

Anaheim	CA	Municipality	June	40	CAFR Document
Ann Arbor	MI	Municipality	June	30	CAFR Document
Antioch	CA	Municipality	June	26	CAFR Document
Apple Valley	CA	Municipality	June	19	CAFR Document
Arcadia	CA	Municipality	June	13	CAFR Document
Artesia	CA	Municipality	June	1	CAFR Document
Auburn	CA	Municipality	June	9	CAFR Document
Bakersfield	CA	Municipality	June	37	CAFR Document
Baldwin Park	CA	Municipality	June	21	CAFR Document
Barstow	CA	Municipality	June	8	CAFR Document
Print Battle Creek	MI	Municipality	June	16	CAFR Document
Bay City	MI	Municipality	June	14	CAFR Document
Belding	MI	Municipality	June	15	CAFR Document