

Dogged by debt



Shmuel Thaler/Sentinel

Shelter space at the SPCA's 7th Avenue facility goes unused. The SPCA closed the site in December 2002.

Animal Shelter Agency's bills, management moves piled up

Editor's note: This is part two in a three-part series on the collapse of the Santa Cruz SPCA.

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It was the fall of 2000, and after firing a management team that left the SPCA in fiscal chaos, agency leaders pledged better leadership.

Instead, just eight months later, the budget deficit had soared to \$332,000, and this time the SPCA board had no one to blame but itself.

Running the operation on an interim basis was one of the board's own — longtime member Doreen Lozano.

"Within months, after the first set of firings, division and dissension set in," said Claudia Schlachter, former SPCA operations director. "I couldn't get any budget figures from the board to help prepare managers for the upcoming fiscal year. Either they just couldn't figure it out or they didn't want any of us to know what was going on."

Lozano would hand over the reins to a full-time director 10 months later. But he would last just seven months before trustees fired him, in part, staffers said, because he was proposing operational and staff cuts to get the agency on sound financial footing.



Rats housed at the county's new animal shelter are in need of homes, too.

Dan Coyro/Sentinel

About the series

SUNDAY: The Sentinel examines mismanagement within the Santa Cruz SPCA, including a controversial spending binge by a former executive team, which led to the eventual collapse of the once-model nonprofit group.

TODAY: How the SPCA failed to control its spending, even after a huge debt was discovered.

TUESDAY: What the SPCA is up to now and how it's accounting for its spotted past.

Hopeful start

Agency employees were shocked when, in the

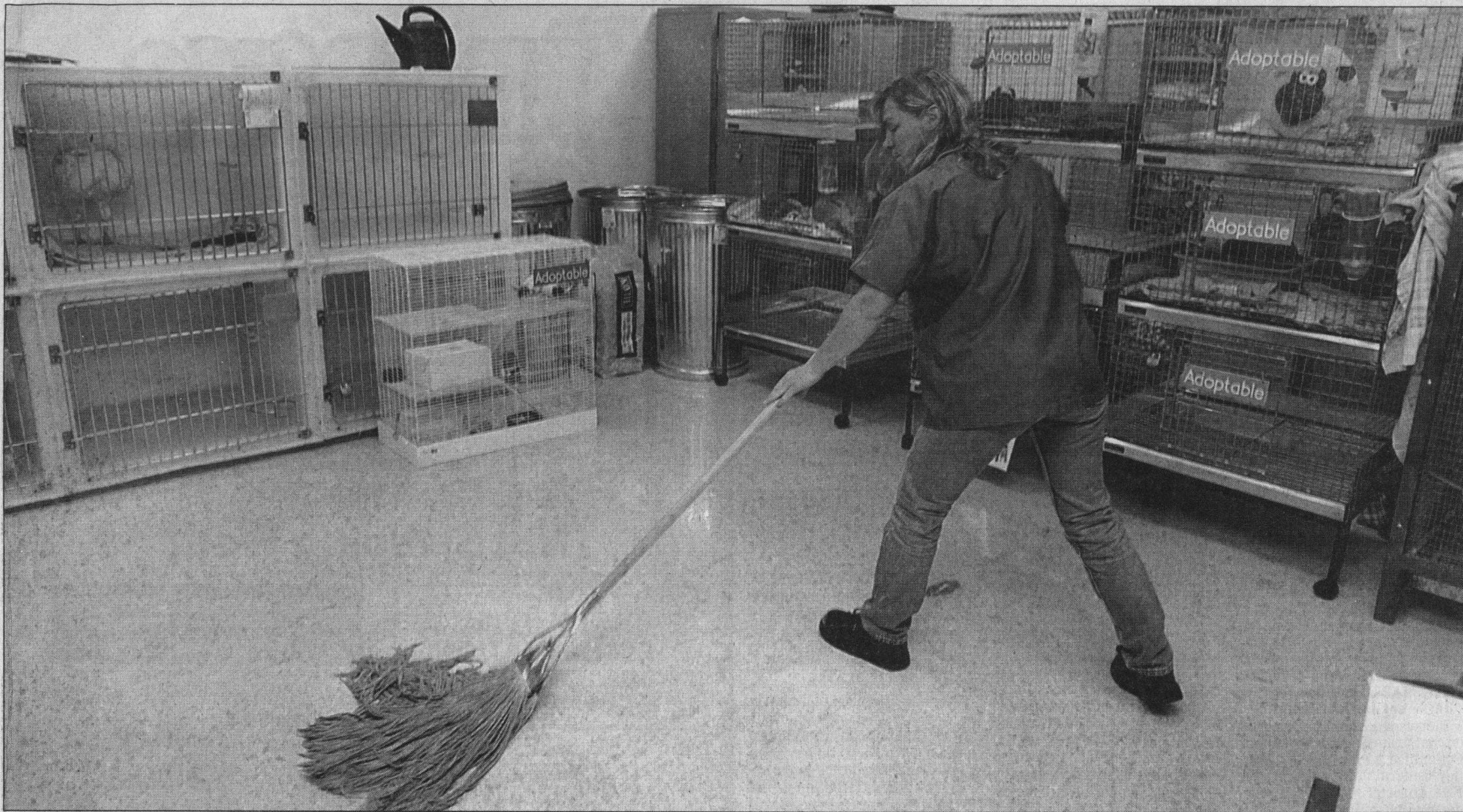
fall of 2000, an in-house investigation revealed personal expenses charged to an SPCA credit card by the husband-and-wife management team of Brian Taylor and Jo Storsberg — an Armani suit, expensive meals and fine wine.

Spirits were buoyed when the couple was fired, Schlachter said.

But even after Lozano and board treasurer Marcy Albert took control of agency finances, problems continued. Some of the troubles were inherited, but others were created trying to solve the financial problems.

An audit of the 1999-2000 fiscal year, which had ended in June, was due, but the books were in no shape for review by the independent accounting firm that normally did the job. So the board hired an accountant from a temporary agency to try and get the books in order.

currently have under...



Shmuel Thaler/Sentinel

Santa Cruz County now operates an animal shelter in Scotts Valley — under the name Animal Services Authority — in space that previously housed a high-tech business.

SPCA

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Storsberg and Taylor left. "I was just thrown roadblocks constantly," said Schlachter, who Lozano fired in May 2001 and is

SPCA at a glance

1991: Jody Cramer takes helm as SPCA executive director.

DECEMBER 1999: Yearly audit of SPCA fails to be delivered to county.

SUMMER 2000: While Storsberg

year 2000 fails to appear.

JUNE 2001: Records show SPCA is \$332,000 in debt.

of misspent public money at \$769,000. That number was revised this week to \$761,000.

The position wasn't authorized in the SPCA's contract with the county, but SPCA hired the accountant nevertheless, and by the end of the accountant's six-month stay, the SPCA had shelled out \$75,600 to the temporary agency, according to SPCA records made available to the Sentinel.

That was only the beginning of over-spending on personnel that helped propel the agency further into debt over the next two years. By the end of 2002, they had surpassed contract-allowed staffing costs by nearly \$50,000, according to the county auditor.

The costs came from a variety of factors.

Lozano was earning an annual salary of \$93,600 — more than what Storsberg and Taylor earned combined, according to the county auditor. A maximum of \$63,700 was allowed by the county contract. (The county paid for 60 percent of the executive post.)

The agency used public money to fill other positions not covered by their contract, including a computer specialist, accounting manager and financial assistant, according to the county audit.

But even with the pricey accountant from the temp agency, SPCA records looked no better than they had under Storsberg and Taylor.

The accounting firm of Walters & Kondrasheff could not render an opinion on fiscal year 2000-01 records, again due to missing balance sheets and faulty back-up procedures, among other things.

By June 2001, according to a 990 form later filed with the IRS, the SPCA was \$332,000 in debt. And the \$450,000 reserve invested with Fidelity Investments was down to \$268,000. Much of the remainder went unspent because it was private money dedicated to specific causes, said Lisa Carter, current board president.

Staffers point the finger at Lozano and Albert, saying that far from cleaning things up, they made matters worse.

Schlachter said she faced only hurdles when she tried to set the books straight and reinstitute basic accounting procedures after

now volunteer coordinator for the Sacramento city animal shelter. "(The board) wouldn't give me any of the financial information I asked for."

Instead, Lozano and Albert took financial matters into their own hands, said Schlachter and Chris Wilson, another former SPCA bookkeeper.

"They would put charges where they wanted to," Wilson said. "There was no rhyme or reason to what they were doing."

Albert, a business consultant, denied that she and Lozano in any way exacerbated the SPCA's financial problems. Early staff attempts to undo the former executive team's damage were disorganized and substandard, she said, essentially forcing her and Lozano to get involved.

Independent audits from Walters & Kondrasheff's indicate that at least some of the measures Albert and Lozano implemented improved SPCA accounting. Although most accounting practices during 2000-01 were substandard, things started getting better at the end of the year, the firm's audit of that year reported. The agency also started remitting license fees to cities and the county on time, the firm said.

A warning

On Nov. 9, 2000, shortly after Lozano and the board took over the SPCA's daily operation, two former employees paid a visit to the county administrator's office.

In a private meeting, Jody Cramer, a former executive director who was fired before Storsberg and Taylor were hired, and Marilee Geyer, the SPCA's former animal care supervisor, told county officials that SPCA employees were calling the pair in distress, reporting an agency in financial collapse.

Geyer and Cramer talked to senior analyst Dinah Phillips and Assistant County Counsel Rahn Garcia, Cramer said.

Their news was received with skepticism.

"They thought we were just sour grapes, wanting our jobs back,"

FEBRUARY 1998: Cramer fired. Board members say it's "time for a change."

DECEMBER 1998: New SPCA husband-and-wife executive team Jo Storsberg and Brian Taylor take the helm.

SUMMER 1999: Employees become worried about the executive team's accounting practices and spending on programs and personnel. Operations director Kat Brown resigns.

Cramer said. "We were told the SPCA is a private organization and there was nothing the county could do. ... I had worked with both of those people, and I knew they could exert plenty of pressure (on the SPCA) if they wanted to."

Phillips said it was hard to take the warning seriously at the time because it came from disgruntled former employees and was not supported by any records or hard evidence.

"The things Jody brought us were discussed with the SPCA, ... but (the board of directors) said, 'Oh, everything's fine, don't worry about it. We're cleaning everything up,'" she said, adding that county staff was continually trying to get a handle on the problems.

But the SPCA continued on its track.

Cramer took one last stab. She called Lozano. Three times.

"Doreen would just say, 'OK, I hear you,'" Cramer said.

Nothing happened.

A new hire

While trying to get a grip on the agency's books, the SPCA was also looking for a new executive director. The board decided to use a search firm, hoping that would help them avoid another bad hire. After a 10-month search, the board hired Henry Brzezinski in August 2001.

He was recruited from South Carolina, where he headed a community humane society. There, he also helped the state become the

and Taylor are on vacation, employees discover the couple rung up personal charges on the company credit card.

FALL 2000: Executive team is fired. Board member Doreen Lozano takes over as interim director.

NOVEMBER 2000: Cramer and Marylee Geyer, former SPCA animal care supervisor, warn county officials the SPCA is in deep water financially. SPCA board members tell the county things are fine.

DECEMBER 2000: Audit of fiscal

30th to pass the Felony Anti-Cruelty Law for animals.

The SPCA spent \$23,500 recruiting Brzezinski, according to agency records.

He was fired in seven months.

The reasons are unclear. But according to Schlachter, Brzezinski, in an effort to bring the budget in line, was preparing staff for layoffs and other budget cuts the day he was fired.

Jay Gunter, former maintenance supervisor, called the firing a "raw deal. Henry was very experienced. For some reason (the board) didn't like to hear the truth."

Brzezinski refused to comment on his dismissal or the SPCA in general.

Agency directors refuse to comment on the reason for his firing.

County oversight

Some former SPCA staff and board members who left before trouble started believe the county was unfairly kept in the dark during the height of agency problems. But others say the county shares an equal burden of blame for ignoring warning signs.

"The county dropped the ball," said Kit Salisbury, a onetime SPCA development director.

The county in fact did little when annual required audits didn't arrive in either December 1999 or December 2000. Both wouldn't appear until November 2001, almost two years late for fiscal year 1999 and 11 months late for year 2000.

AUGUST 2001: Henry Brzezinski hired as new executive director, taking the reins from Lozano.

NOVEMBER 2001: Audits of fiscal years 1999 and 2000 arrive. The accounting firm is unable to render an opinion due to missing and substandard financial records.

MARCH 2002: Brzezinski is fired. Lozano takes over again.

MARCH 2002: County auditor discovers SPCA contract violations and an accounting system in disarray. He later pegs the amount

SUMMER 2002: With their three-year contract up in June, county and SPCA begin negotiations on a new contract. SPCA demands a budget double the previous one.

AUGUST 2002: Negotiations break down and the county takes over animal shelter and control services along with area cities.

DECEMBER 2002: With no public money and donations lagging, the SPCA closes its shelter.

Source: Sentinel

dollars from the county and have to go through audits. I don't know that we were ever cut that kind of slack."

While the city of Santa Cruz contracted with the SPCA in partnership with the county, the county was in charge of managing the contract. City money accounted for 23 percent of the SPCA contract.

Primack said what he finds more disturbing is how the county responded to Cramer and Geyer's visit in November of 2000.

"If indeed there were people who stepped forward with warnings that went unheeded, I think that's something the government has to answer to," he said.

Even Beautz, in retrospect, admitted some missteps.

"Looking back, there were probably things we both could have done differently," she said.

The county did not take action until it finally received audits of the 1999 and 2000 fiscal years in November 2001. The audits were highly critical. But by then, it was too late. The hole the SPCA had dug itself into was too big.

While the county admits no fault, a change in policy indicates at least partial acknowledgment things could have been done differently. Audits of organizations the county contracts with now go through the county auditor rather than the County Administrator's Office, as they did before.

"You learn," said county Auditor Gary Knutson.

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