

BUSINESS

Colorado public trustee spending raises red flags

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Some of Colorado's appointed county public trustees have used public funds they oversee to profit or personally benefit from their position, a Denver Post analysis of their spending practices since last year has found.

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Other appointed public trustees have given themselves and their employees perks not available to other workers in the counties they serve, the review found.

Spending practices range broadly: At one extreme, a public trustee for years rented office space for the agency in a building he co-owns; at the other, a trustee reimbursed the costs of a retiring employee's farewell party — down to the \$4 greeting card, according to accounting ledgers and receipts obtained through the state's open-records act from all 10 appointed public trustees.

A government-watchdog group that reviewed The Post's findings called the spending "at the minimum, questionable" and said at the maximum, it "could raise legal concerns."

Because the appointed trustees — the only ones of the state's 64 county trustees that are chosen by the governor — by law have been able to operate with fiscal autonomy for nearly 100 years, there has been little or no independent oversight of how they budget and spend millions of dollars generated through foreclosure-related fees.

Appointed public trustees, the independent overseers of the state's foreclosure process, aren't required to submit budgets to anyone for approval. They approve their office expenses — including their own — without outside scrutiny and can sign contracts without public bidding. Self-generated reports of their financial activity to the governor include little or no detail of how or on what they're spending public dollars.

Among The Post's findings:

- Pueblo County Public Trustee Nick Gradisar long ago moved the trustee's operations into an office building he and his law partners own, collecting thousands of dollars in monthly rent. He says it's a good deal for the trustee's office.
- Boulder County Public Trustee Rich Gebhardt for years has collected a small commission for establishing insurance coverage for himself and his employees, who in turn pay nearly nothing for their policies or medical expenses. He said it saves the office money.
- Adams County Public Trustee Carol Snyder drives a car that her office purchased new for her use — the only trustee to do that. The fuel is paid, the exterior is washed regularly, and the vehicle is equipped with a subscription satellite-radio system. She says she's entitled to the perks.

• Weld County Public Trustee Susie Velasquez, an attorney, uses public funds to pay her annual state registration and professional licensing fees, as well as the costs of legal-education classes, even though legal experience isn't a job requirement. She says it helps her learn to do her trustee job.

• Arapahoe County Public Trustee Ana Maria Peters-Ruddick has used office funds to treat her employees to more lunches and outings than other trustees, buys them gifts for showing up to work and offered them twice-monthly chair massages. She says it's all legitimate spending.

• Mesa County Public Trustee Paul Brown, not long after his March 2011 appointment, double-dipped on the use of his car to attend a November conference in southern Colorado, reimbursing himself for mileage and fuel expenses; he's entitled to one or the other. He said it was an oversight.

"Public trustees must reflect public trust and confidence," Gov. John Hickenlooper said in a statement Friday. "We expect the trustees to conduct their business in a way that is legal, ethical and avoids even the appearance of impropriety."

Hickenlooper's staff Friday issued to each appointed trustee a set of new guidelines to rein in the practices revealed by The Post. Among them:

- Trustees must annually file conflict-of-interest statements;
- Personal use of government-owned vehicles is prohibited;
- The governor's office must approve all trustee purchases or contracts over \$5,000;
- Employee-recognition events and gifts are restricted and should be funded by a source other than public funds.

Public trustees in Colorado's 54 other counties — the job is conducted by the elected treasurer in 52 of them — undergo more scrutiny than their appointed counterparts. Their budgets are examined and approved by county commissioners; their expenses evaluated; and their contracts vetted.

The trustee in Denver, the state's second-largest county, is its elected clerk and recorder, whose budgets and audits are approved and overseen by other city agencies. The same for Broomfield County, where the trustee is an appointee of the county commission.

"They tell me what I get to do the job," said Lincoln County Treasurer and Public Trustee Jim Covington, who has held the post for 31 years. "My receipts are all turned in; my credit cards too. They approve it all."

In Denver's public-trustee office, for example, spending on items such as chair massages, staff lunches or anything outside of normal business expenses would not be acceptable, said Deputy Trustee Sindee Wagner.

"For our department, it would not happen," she said. "It's not right."

Luis Toro, executive director of Colorado Ethics Watch, which reviewed The Post's findings and called some spending practices "questionable," said it's the legislature's job to change the lax system.

"It's a patchwork system that's evolved over decades, for a process that really needs a 20th-century methodology," he said. "There are simply some laws that just shouldn't be around any longer, and the ones regarding the trustees are among them."

Elena Nuñez, executive director of Colorado Common Cause, said the spending practices should raise flags about how scrutiny of the trustees' public spending is not uniform.

"The core issue is not about whether it is \$10 or \$10,000, rather that there is no public review or approval of their budgets and their spending," she said. "There has to be some accountability to ensure it's appropriate. All of this calls into question the judgment of the trustees."

Revenues for appointed trustee offices come from foreclosure-related fees. Unspent money is placed in a reserve fund to cover a year's worth of spending. Then, whatever's left after expenses is handed to the county.

Spending varies greatly from county to county. In 2011, for example, Adams County collected \$1.3 million in revenues and spent about 48 percent of that. Pueblo County collected \$400,000 and spent 93 percent.

Colorado's appointed public trustees are a legacy from the state's mining history when homeowners were foreclosed upon by landowners without due process. As more counties were added, the largest retained their appointed trustees while the others put the job in the hands of county trustees.

The only criteria for appointed trustees are a college degree and a minimum of five years' administrative or business experience. There is no limit to how long appointed trustees can hold the job. Hickenlooper has appointed two trustees and reappointed eight.

Today, the appointed public trustee's salary is established by statute, and the appointed ones are paid the most: \$72,500 a year guaranteed. Elected treasurers who serve as public trustee receive a stipend — \$12,500 per year — but only after all their office expenses are paid.