DETROIT FINANCIAL REVIEW TEAM REPRESENTS GLOBAL BANKSTERS

By Diane Bukowski

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*VOD: This article examines the six DFRT members’ backgrounds; a second article will examine its report.*

DETROIT -- Who created the City of Detroit’s alleged financial crisis? Members of Detroit’s “Financial Review Team,” which just sent its report to Michigan Gov. Rick Snyder, ignored the real culprits, and for good reason—they and their employers or previous employers are among those who devastated Detroit and the global economy.

"This review team spent two months pouring *(sic)* over the city's finances, taking careful consideration of both long and short-term issues, including recent actions by the administration and City Council," said State Treasurer Andy Dillon, a member of the Detroit Financial Review Team’s six-person panel, in an official release.

“While we appreciate the steps the city has taken over the past number of weeks, key reform measures have not occurred quickly enough, if at all. The team collectively believes the city needs assistance in making the difficult decisions necessary to achieve the significant reforms that are so crucial to the city's long-term viability."

Perhaps Dillon was “pouring” dirty martinis instead of “poring” over Detroit’s books. One thing is sure, however. Dillon, Michigan Auditor General Michael McTavish, and Budget Director Frederick Headen, who sit on the Review Team, held Detroit to far more rigorous accounting standards than those the state of Michigan meets.

The Institute for Truth in Accounting (IFTA) reported in 2012 that 46 states, including Michigan, use “outdated accounting policies to calculate state budgets and financial reports,” resulting in the failure to report “more than $900 billion of promised retirement benefits.”

The IFTA said, “They only focus on what is payable in the current year, so setting money aside to pay for future benefits is not required in the states’ budget planning. It notes $425 million is missing from Michigan’s debt statements. Wall Street ratings agencies recently gave the state glowing reports after meeting with Dillon and Gov. Rick Snyder.

But the Snyder-appointed Detroit Financial Review Team hammered at the city for exactly the same situation.

It reported, “City officials have projected that over the five-year period 2013 through 2017, expenditures for health-care benefits for active employees, healthcare benefits for retirees, pension benefits, principal and interest for pension certificates, and debt service, will total approximately $1.9 billion. Therefore, these long-term liabilities will pose an ongoing challenge to the City’s financial condition.

Chart

That said, let’s take a look at the six men sitting in allegedly “impartial” judgment on the City of Detroit. The list is in alphabetical order, since the story of Darrell Burks’ company is the lengthiest.

DARRELL BURKS of PRICEWATERHOUSECOOPERS (AIG AUDITOR)

Darrell Burks is also a member of the “Financial Advisory Board” (FAB) appointed under the city’s Public Act 4 consent agreement. Never mind that PA 4 was repealed, the FAB has proceeded merrily on its way, recently ordering that Detroit’s unionized workers take more pay cuts. Burks is currently a board member of the Greektown Casino along with Mike Duggan and Freman Hendrix, among others. He previously was a member of former Mayor Kwame Kilpatrick’s “Turn-around Team,” which recommended downsizing of city government and privatization of services.

Burks’ employer, Pricewaterhousecoopers (PwC) headquartered in London, is the world’s largest professional services firm, with revenues of $31.5 billion in 2012. It has offices in 776 cities in 159 countries. But likely more numerous than the countries it occupies are its fraudulent schemes. Following are only a few of those cited in Wikipedia:

AIG collapse-- Most glaringly, PwC was the auditor for the American International Group, Inc. (AIG), a U.S. based global insurance firm, which suffered a “liquidity crisis” in Sept, 2008 (i.e. collapsed). The AIG and Lehman Brothers’ collapses triggered the 2008 global economic meltdown. The U.S. Federal Reserve Bank and the U.S. Treasury (tax dollars, remember) bailed the company out to the tune of $182.5 BILLION, including a $60 billion credit line. The company continues to sell many subsidiaries and other assets to pay down loans received.

ChuoAoyama Suspension – In 2006, the Financial Services Agency (FSA) of Japan suspended PwC’s Japanese affiliate ChuoAoyama from providing some auditing services for two months, the first suspension ever imposed on a major accounting firm in Japan. The FSA linked ChuoAoyama to the collapse of cosmetics company Kanebo, claiming the PwC affiliate falsely reported $1.9 billion in Kanebo earnings over five years.

Tyco settlement -- In July 2007, PwC paid $229 million to settle a class-action lawsuit brought by shareholders of [Tyco International Ltd.](http://en.wikipedia.org/wiki/Tyco_International_Ltd.) over a multibillion-dollar accounting fraud. The chief executive and chief financial officer of Tyco were found guilty of looting $600 million from the company.

Satyam case --In January 2009 PwC was connected, along with the promoters of [Satyam](http://en.wikipedia.org/wiki/Satyam_Computer_Services), an Indian IT firm, to a $1.5 billion fraud. PwC faces lawsuits in the U.S. as a result. Two of PwC’s partners in India were charged by India’s Central Bureau of Investigation.

Global Trust Bank Ltd and DSQ Software -- India's accounting standards agency cited PwC partners for “professional negligence,” in the now-defunct Global Trust Bank Ltd. case of 2007. The Reserve Bank of India then banned PwC from auditing any financial company for over a year. PwC was also associated with an accounting scandal at DSQ Software in India. The country’s Small Investor Grievances Association (SIGA) has requested the Indian stock market regulator SEBI to ban PwC permanently and seize its assets in India, alleging more scandals.

Transneft Russia case – PwC was the auditor for Transneft, a company involved in the construction of the $13 billion ESPO (East Siberia-Pacific Ocean) pipeline. The Audit Chamber of the Russian Federation reported that over $4 billion was stolen and siphoned from the company during the project. PwC denied wrongdoing.

House of Lords inquiry in the UK --In 2011, a House of Lords inquiry criticized PwC for its failure to report risky business practices of its client Northern Rock, which the UK government bailed out during the financial crisis.

JP Morgan Securities audit-- In 2012, the Accountancy and Actuarial Discipline Board (AADB) of the UK fined PwC a record £1.4m ($2.2m) because the company neglected to report that JP Morgan failed to hold clients’ money separate from JP Morgan’s money.

World Bank Favoring PwC for Water Privatization in Delhi --The World Bank chose PwC to handle the privatization of Delhi, India’s water distribution system, despite the repeated failure of PwC’s bids. The privatization scheme collapsed after an investigation revealed that exorbitant salaries for administrators would increase the budget by 60 percent, and raise water taxes by nine times.

ANDY DILLON, STATE TREASURER, FORMER BUSINESSMAN

Dillon has been in charge of Public Act 4 takeovers since the Act’s initiation, and has continued them after the act’s repeal by reverting to PA 72. He has authorized the takeovers of Benton Harbor, the Detroit Public Schools, Ecorse, Flint, Highland Park Public Schools, Inkster and Pontiac, all but Ecorse majority-Black cities or school districts.

He is an attorney who was president of DSC (Detroit Steel Co.) Ltd. until 1999. His company bought the closed McLouth Steel plant in Trenton in 1996 after an employee stock-ownership plan failed, leaving thousands jobless. DSC Ltd. never got the plant up and running. Current Wayne County Tax Records show the property owes $4, 219,201.19 in delinquent taxes. Although it has not paid for at least five years, it has never faced foreclosure.

Dillon also worked as the managing director of Wynnchurch Capital, vice president of GE Capital and as a financial analyst at WR Grace. The last is a chemical company allegedly involved in asbestos contamination of workers and residents of the entire towns of Libby, N.Y. and Troy, Montana., and Woburn and Acton Massachusetts. The book and film “A Cilvil Action,” were based on these cases.

Dillon, formerly Democratic Speaker of the House, went over to Snyder’s side after Democratic progressive candidate Virg Bernero, Mayor of Lansing, won the gubernatorial nomination. Bernero had advocated standing up to the state’s corporations and banks.

RONALD GOLDSBERRY

Goldsberry currently works for Deloitte Consulting and lives in Bloomfield Hills, MI. Like fellow Review Team member Kenneth Whipple, Goldsberry spent the major part of his life working for Ford Motor Company, one of the Big Three automakers which devastated Detroit by moving it plants elsewhere and destroying the city’s main source of employment and tax base. Although Ford did not directly receive a bail-out from the U.S. government, it has admitted it profited from the $34 billion GM and Chrysler got in taxpayer-funded loans. UAW workers, however, say they have suffered from mass lay-offs, and drastic concessions in wages and benefits, retiree health care, and working conditions.

Goldsberry began work for Ford in 1983 after the company outbid his effort to buy his previous employer, Parker Chemical. Beginning as general manager of the Plastic Products division for Ford's Automotive Components Group, he eventually ascended to global vice-president in 1997. He was a captain in the U.S. army and sits on the boards of the Rockefeller Foundation, Stanford University Graduate [School of Business](http://www.answers.com/topic/ronald-goldsberry), Central State University, and UNUM Corporation.

FREDERICK HEADEN

Headen has been director of the state Treasury’s local government services division since 1997. Headen has been appointed by Governors John Engler, Jennifer Granholm and now Rick Snyder to serve on at least 15 review teams. He has authorized the takeovers of Benton Harbor, Ecorse, Flint, Highland Park, Inkster, and Pontiac. He formerly was legal counsel to the Citizens Research Council of Michigan, which frequently advocates privatization of public services. Its board members represent AT&T, Blue Cross, BorgWarner, Citizens Bank, CMS Energy, Comerica Bank,Compuware, Deloitte LLP, Detroit Economic Club, Dickinson Wright PLLC, DTE Energy, Dykema Gossett PLLC, Ernst & Young LLP (being sued for helping Lehman Brothers cook its books before its collapse); Hennessey Capital LLC, Hudson-Webber Foundation, JPMorgan Chase & Co., Kelly Services, Inc., Manoogian Foundation, Meritor, Inc. Miller, Canfield, Paddock and Stone, PLLC, PNC Financial Services, Rockbridge Growth Equity, LLC, W. E. Upjohn Institute and Wells Fargo Bank .

THOMAS MCTAVISH, STATE AUDITOR GENERAL

McTavish has served as State Auditor General since 1989, when he was first appointed by the Michigan State Legislature. Previously, the position was elected. Dillon and State Senator Michael Bishop (R), wrote recommendation letters for him, saying he helped build the OAG into “one of the country’s most effective and highly regarded state audit departments.” He has focused on producing more audit reports of performance than of financial operations. He is a former president of the National Association of State Auditors, Comptrollers and Treasurers. The Institute for Truth in Accounting rates Miichigan “Timely” in filing the state’s Comprehensive Annual Financial Report (CAFR), but does not consider the state's CAFRs, and those of the other states, to be accurate representations of the state’s financial condition because the Generally Accepted Accounting Principles (GAAP) basis does not include significant liabilities for the pension plans and for other post employment benefits, such as health care.

KENNETH WHIPPLE

Whipple is listed here last, but he is by far not the least influential of the DFRT team members. He is vice-chair of the city’s “Financial Advisory Board,” whose continued existence is legally questionable. He is listed as CEO of Korn/Ferry International, a global executive search corporation. But he is also CEO and director of Ford Holdings, LLC, which has approximately $1 billion in revenues annually. He was previously chairman and CEO of CMS Energy.

Significantly, he also sits on the advisory board for the New York-based Miller, Buckfire and Co, recently taken over by St. Louis Missouri-based Stifel Financial. As Miller Buckfire, the company was awarded a $1.8 million “investment banker’ contract with the city of Detroit in January as part of the Bing/Snyder “Milestone Agreement. (Conflict of interest, anyone?)

“Miller Buckfire will act as the City’s investment banker and will provide financial advisory services, including possible strategic asset sales and related refinancing actions,” City Council Fiscal Analyst Irvin Corley said in a report.

As VOD earlier reported, Stifel manages $91 billion in assets world-wide and has been gobbling up dozens of other companies. It has been sanctioned for violating securities laws in Florida, fined for running a fraudulent Ponzi scheme in Missouri, and charged with securities fraud in Indiana. The Securities and Exchange Commission is now conducting hearings on charges filed in 2011 alleging the company defrauded five Wisconsin school districts by selling them risky investments, causing the districts to lose $200 million.

Whipple spent the main part of his career with Ford. He is currently CEO and Director of Ford Holdings, LLC., which averages approximately $1 billion in revenue annually. He spent almost 40 years as a Ford executive, from 1959 through 1999, holding various positions including president of Ford Credit. He was also vice president and head of corporate strategy. chairman and CEO of Ford Europe, and president of Ford Financial Services Group.