

Questions Continue to Dog Great Park Auditors



The iconic balloon at the Orange County Great Park.

Photo credit: Unknown

By **Adam Elmahrek** May 7, 2015 at 12:10 PM [Follow @adamelmahrek](#)

Early last year, auditor Christopher Money [presented an audit](#) of the Great Park's contracts to the Irvine City Council that suggested gross mismanagement of Orange County's most notorious public works project.

His two-hour narrative included \$12,000 spent to change just one word in a groundwater report; a politically connected consultant not being vetted; duplicate billings and project studies performed twice for no apparent reason.

The story left most observers in the room reeling, and the headlines next morning were sensational. But lost amidst the ongoing controversy – and the release of more audit reports – was the fact that some of the most damning findings were either false or baseless.

In fact, the forensic accounting firm that conducted the audit – Newport Beach-based Hagen, Streiff, Newton & Oshiro Accountants – officially withdrew those findings, which they have since emphasized were only "preliminary."

There was no \$12,000 contract change order to alter a single word; no project feasibility studies were done twice; the consultant was actually vetted; and the finding about duplicate billings was ultimately deemed "inconclusive."

But the damage was done. The owner of San Diego-based Gafcon, one of the consultants and primary targets of the audit, told a state legislative committee that the firm hasn't been able to attract any new business since the erroneous conclusions were reported. Voters ousted longtime council leader Larry Agran, and the Orange County District Attorney's office launched a criminal investigation.

For more than six months now, the California Board of Accountancy has been investigating a complaint filed by Gafcon against HSNO, according to the board's spokeswoman Lauren Hersh. The agency can issue penalties to accountants that engage in misconduct, going as far as revoking their licenses to practice accounting.

Money didn't return a phone call and email for comment.

To be sure, the [final version of that audit](#), and another done by the Irvine-based law firm Aleshire & Wynder, found plenty wrong with the Great Park project, from dysfunctional mismanagement and lack of realistic budgeting to questionable consulting contracts, all of which led to hundreds of millions being spent with little to show for it.

The city is also preparing to file several lawsuits to recoup millions of dollars attorneys identified as recoverable because of contract violations.

But that hasn't stopped opponents of the audit from saying the withdrawal of arguably the most damaging findings confirms their assertions that the investigation was just a witch-hunt all along. But they also complain that the retraction doesn't go far enough in its explanation, and they're demanding an apology.

"To merely say that the original audit report is withdrawn is completely insufficient and unacceptable," Paul Najar, general counsel for Gafcon, one of the main audit targets, wrote in an email to Voice of OC. "HSNO and the City should admit that every allegation was false and provide an explanation for each error."

The Origins of the Audit

In the 2012 election, Republican council candidates unseated a Democratic majority that had controlled the park project since its inception. They ran on a platform of bringing fiscal accountability to a 1,300-acre park project that was supposed to rival the likes of New York Central Park but has since become the county's poster-child for government boondoggles.

Over \$250 million was spent on designing and constructing the park. But to date, the public only has access to 88 acres.

Almost immediately, the Republicans set about launching what they called a forensic audit of the contract spending. After taking bids for the contract, the city hired HSNO and budgeted \$240,000 for the work, with a two-member subcommittee comprised of Republican council members Jeffrey Lalloway and Christina Shea receiving updates behind closed doors.

Besides Agran, the other major target of the audit was the Great Park Design Studio, a joint venture between master designer Ken Smith and Gafcon. The Design Studio was awarded contracts to complete the master design and schematic design of the park.

Great Park staff and the higher-ups at the Design Studio clashed repeatedly. Eventually, after 50 change orders to the schematic design contract and concerns about the quality of the Design Studio's work product, the park's CEO, Mike Ellzey, decided to shut down the schematic design.

Several of the Design Studio team members, including Gafcon, were closely tied to Agran, and they funneled tens of thousands of dollars to campaigns supporting him for reelection.

Yet such findings aren't as shocking as claims like \$12,000 spent to change a single word and payments for services done twice, which seem to indicate fraud.

City leaders said at the meeting last year that the report was only preliminary, saying that several witnesses and consultants like Gafcon refused to speak with auditors and demanded questions in writing, which HSNO auditors said they couldn't agree to because, among other things, it would bog down their work.

A Premature Report

Wayne Kalayjian, senior manager at Deloitte Financial Advisory Services, said there are basic standards that auditors should meet when undertaking an investigation similar to what HSNO did with the park contracts.

For one thing, said Kalayjian, who also disclosed that he is part of a consulting team that includes Gafcon on another project, auditors should allow the client of an audit to see a draft audit report before its made final, so that basic mistakes aren't made.

"You have to be prepared to bounce these facts off of people to make sure you're getting an accurate assessment of what happened," Kalayjian said. "We [at Deloitte] do not publish reports prematurely. We take that very seriously.

"The first thing you've got to remember is it's very sensitive information. People's reputation, their careers, their way of life, the way they make their living, are potentially at risk."

Ellzey's reaction when the initial audit report was presented publicly indicates that the findings weren't completely vetted through city staff. At the council meeting, Ellzey said some of the findings were "inaccurate" and although "not necessarily the fault of the auditors... it would have been nice to be asked."

"Some of these findings didn't need to see the light of day," Ellzey said. "Five minutes and they could have figured this out, if they had asked."

Another point of clarification was a finding that auditors couldn't locate \$38 million in redevelopment funds. In the initial report, the wording made it seem like the money couldn't be accounted for, an impression Money said was unintended. At the meeting, city staff gave a detailed answer about where the money went.

There were also items from the expanded scope of work, which increased the audit budget to \$650,000, that weren't delivered in the final report. For example, HSNO was to review the reasonableness of change orders over \$100,000, and a contract with Strada Investment Group is specifically identified in the scope of work. Yet Strada doesn't show up in the final report.

All told, the audit reports by HSNO and Aleshire & Wynder cost taxpayers \$1.5 million.

Lalloway wouldn't comment at length about the errors, saying only that he was told that's the "information that HSNO had at that time." Shea didn't return a phone call for comment.

"I have confidence that HSNO did what they believe was the right procedure at the time," Lalloway said.

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