BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA

In the Matter of the Accusation Against: Case No. AC-2017-79

HAGEN, STREIFF, NEWTON & OSHIRO, A CCUSATION
ACCOUNTANTS, P.C.
2415 Campus Drive Suite 225
Irvine, CA 92612

Certified Public Accountancy Corporation Certificate No. COR 202

and

CHRISTOPHER KENT MONEY
2415 Campus Drive Suite 225
Irvine, CA 92612

Certified Public Accountant Certificate No. 48019

Respondents.

Complainant alleges:

PARTIES

1. Patti Bowers (Complainant) brings this Accusation solely in her official capacity as
the Executive Officer of the California Board of Accountancy, Department of Consumer Affairs,

2. On or about February 27, 1973, the California Board of Accountancy (CBA) issued
Certified Public Accountancy Corporation Certificate Number COR 202 to the corporation now

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CHRISTOPHER K. MONEY) ACCUSATION
known as Hagen, Streiff, Newton & Oshiro, Accountants, P.C. (Respondent HSNO). The
Certified Public Accountancy Corporation Certificate was in full force and effect at all times
relevant to the charges brought herein and will expire on February 28, 2019, unless renewed.

3. On or about May 29, 1987, the CBA issued Certified Public Accountant Certificate
Number 48019 to Christopher Kent Money (Respondent Money). The Certified Public
Accountant Certificate was in full force and effect at all times relevant to the charges brought
herein and will expire on March 31, 2018, unless renewed.

JURISDICTION

4. This Accusation is brought before the CBA, under the authority of the following
laws. All section references are to the Business and Professions Code (Code) unless otherwise
indicated.

5. Section 5100 of the Code states:

After notice and hearing the board may revoke, suspend, or refuse to renew
any permit or certificate granted under Article 4 (commencing with Section 5070)
and Article 5 (commencing with Section 5080), or may censure the holder of that
permit or certificate for unprofessional conduct that includes, but is not limited to,
one or any combination of the following causes:

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(c) Dishonesty, fraud, gross negligence, or repeated negligent acts
committed in the same or different engagements, for the same or different clients,
or any combination of engagements or clients, each resulting in a violation of
applicable professional standards that indicate a lack of competency in the practice
of public accountancy or in the performance of the bookkeeping operations
described in Section 5052.

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(g) Willful violation of this chapter or any rule or regulation promulgated by
the board under the authority granted under this chapter.

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(j) Knowing preparation, publication, or dissemination of false, fraudulent,
or materially misleading financial statements, reports, or information.

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6. Section 5100.5 of the Code states:

(a) After notice and hearing the board may, for unprofessional conduct,
permanently restrict or limit the practice of a licensee or impose a probationary
term or condition on a license, which prohibits the licensee from performing or
engaging in any of the acts or services described in Section 5051.
(b) A licensee may petition the board pursuant to Section 5115 for reduction of penalty or reinstatement of the privilege to engage in the service or act restricted or limited by the board.

(c) The authority or sanctions provided by this section are in addition to any other civil, criminal, or administrative penalties or sanctions provided by law, and do not supplant, but are cumulative to, other disciplinary authority, penalties, or sanctions.

(d) Failure to comply with any restriction or limitation imposed by the board pursuant to this section is grounds for revocation of the license.

(e) For purposes of this section, both of the following shall apply:

(1) "Unprofessional conduct" includes, but is not limited to, those grounds for discipline or denial listed in Section 5100.

(2) "Permanently restrict or limit the practice of" includes, but is not limited to, the prohibition on engaging in or performing any attestation engagement, audits, or compilations.

7. Section 5107 of the Code states in part:

(a) The executive officer of the board may request the administrative law judge, as part of the proposed decision in a disciplinary proceeding, to direct any holder of a permit or certificate found to have committed a violation or violations of this chapter to pay to the board all reasonable costs of investigation and prosecution of the case, including, but not limited to, attorney’s fees. The board shall not recover costs incurred at the administrative hearing.

(b) A certified copy of the actual costs, or a good faith estimate of costs where actual costs are not available, signed by the executive officer, shall be prima facie evidence of reasonable costs of investigation and prosecution of the case.

8. Section 5109 of the Code states:

The expiration, cancellation, forfeiture, or suspension of a license, practice privilege, or other authority to practice public accountancy by operation of law or by order or decision of the board or a court of law, the placement of a license on a retired status, or the voluntary surrender of a license by a licensees shall not deprive the board of jurisdiction to commence or proceed with any investigation of or action or disciplinary proceeding against the licensee, or to render a decision suspending or revoking the license.

9. Section 5116 of the Code provides, in pertinent part, that the Board may order any licensee or applicant for licensure or examination to pay an administrative penalty as part of any disciplinary proceeding. Administrative penalties shall be in addition to any other penalties or sanctions imposed on the licensee or other person, including, but not limited to, license.
revocation, license suspension, denial of the application for licensure, denial of the petition for
reinstatement, or denial of admission to the licensing examination. Payment of these
administrative penalties may be included as a condition of probation when probation is ordered.

REGULATION

10. Title 16, California Code of Regulations, section 58 (Board Rule 58) states:

Licensees engaged in the practice of public accountancy shall comply with all
applicable professional standards, including but not limited to generally accepted
accounting principles and generally accepted auditing standards.

APPLICABLE PROFESSIONAL STANDARDS

11. Professional standards of practice pertinent to this Accusation and the engagement at
issue include, without limitation: the American Institute of Certified Public Accountants
(AICPA)\(^1\) Statement on Standards for Consulting Services (CS 100). CS 100 indicates that the
general standards of the CPA profession, as set forth in the AICPA Code of Professional Conduct
(CPC) are applicable. These standards are as follows:

<table>
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<tr>
<th>Standard No.</th>
<th>Description</th>
<th>Undertake only those professional services that the member or the member's firm can reasonably expect to be completed with professional competence.</th>
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<tr>
<td>1</td>
<td>Professional competence</td>
<td>Exercise due professional care in the performance of professional services.</td>
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<tr>
<td>2</td>
<td>Due Professional Care</td>
<td>Adequately plan and supervise the performance of professional services.</td>
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<tr>
<td>3</td>
<td>Planning and supervision</td>
<td>Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.</td>
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12. With respect to the standard of due professional care, AICPA ET section 56.01 states:

The quest for excellence is the essence of due care. Due care requires a member to discharge professional responsibilities with competence and diligence. It imposes

\(^1\) The AICPA sets ethical and professional standards for the accounting profession.
(\text{http://www.aicpa.org/About}). Statements on Standards for Consulting Services are issued by the AICPA Management Consulting Services Executive Committee, the senior technical committee of the AICPA designated to issue pronouncements in connection with consulting services. The AICPA Management Consulting Services Executive Committee as a body establishes professional standards under the “Compliance with Standards Rule” (ET sec. 1.310.001) of the AICPA's Code of Professional Conduct. HSSNO holds itself out as compliant with the AICPA professional standards. (See paragraph 15, infra.)

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the obligation to perform professional services to the best of a member's ability with concern for the best interest of those for whom the services are performed and consistent with the profession's responsibility to the public.

13. CS 100 also includes the following requirements:

Client interest. Serve the client interest by seeking to accomplish the objectives established by the understanding with the client while maintaining integrity and objectivity.

Understanding with client. Establish with the client a written or oral understanding about the responsibilities of the parties and the nature, scope, and limitations of services to be performed, and modify the understanding if circumstances require a significant change during the engagement.

Communication with client. Inform the client of (a) conflicts of interest that may occur pursuant to interpretations of Rule 102 of the Code of Professional Conduct [ET section 102.03], (b) significant reservations concerning the scope or benefits of the engagement, and (c) significant engagement findings or events.

14. CS 100 cites the AICPA Code of Professional Conduct to define the terms integrity and objectivity:²

Integrity requires a member to be, among other things, honest and candid within the constraints of client confidentiality. Service and the public trust should not be subordinated to personal gain and advantage. Integrity can accommodate the inadvertent error and the honest difference of opinion; it cannot accommodate deceit or subordination of principle.

Objectivity is a state of mind, a quality that lends value to a member's services. It is a distinguishing feature of the profession. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest.

15. Respondent HSNO advertises on its website that: “All employees abide by strict professional standards promulgated by the American Institute of Certified Public Accountants or other nationally recognized certifying or accrediting organizations.”³

FACTUAL BACKGROUND

16. Individuals and entities referred to in this Accusation include the following:

a. The Great Park: Generally, the Great Park refers to the approximately 1,347 acres contributed to the City of Irvine in or about 2005 previously occupied by the former Marine

² AICPA Code of Professional Conduct, 2.100.001.01, Integrity and Objectivity Rule: “In the performance of any professional service, a member shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate his or her judgment to others.”

Corps Air Station El Toro. Respondent HSONO’s work involved review of the contracts issued for
purposes of the development of this acreage.

b. City of Irvine (or City): Respondent HSONO’s client for each of the two
engagement reports prepared by Respondent HSONO referred to hereafter. Respondent HSONO’s
client also included the City Council of the City of Irvine (City Council) (together, Client).

c. The Great Park Corporation: The Great Park Corporation was formed by the City
of Irvine in 2003 to design, construct, and maintain the Great Park.

d. Great Park Board: The Great Park Board included the five members of the City
Council. Votes of the Great Park Board are presented as recommendations to the City Council.

e. Great Park Design Studio (Design Studio): The Design Studio was a joint venture
including Ken Smith Landscape Architect, Inc. (Ken Smith) and Gafcon, Inc. (Gafcon). The
Design Studio was the primary contractor during the Great Park Master Plan phase and a major
contractor during the other three design phases.

f. Forde & Mollrich: Respondent HSONO wrote in its report: “Although not a part of
the joint venture, Forde & Mollrich, was a political strategy and public relations firm, was a key
member of the Design Studio team and a subcontractor to the Design Studio.”

  g. Gafcon: Respondent HSONO wrote in its report: “Gafcon is a program and
construction management firm that is based in San Diego. The principal of Gafcon is Yehudi
Gaffen. Gafcon was added to the Ken Smith team to add large project experience. Gafcon was
responsible for Design Studio invoicing, record keeping, sub-contractor management,
subcontractor invoicing with related payment and general operations.”

h. Ken Smith: Ken Smith is a landscape architect based in New York City.

i. Bovis Lend Lease (Bovis): During the Master Design Phase and later during the
Schematic Design Phase, Bovis functioned as a Program Manager, whose responsibilities
included reviewing Design Studio invoices. Brian Day was a Bovis Vice President and Principal-
in-Charge for the Great Park project. PBS&J, initially hired as a subcontractor to Bovis, replaced
Bovis as Program Manager in June 2009.

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Mr. Ellzey continued to be involved with the Great Park through at least the issuance of
Respondent HSNO’s Report 1, described below.

k. Brendan McDevitt: Mr. McDevitt was a program manager with MCK Associates
LLC when he was hired in October 2008 as a subcontractor to Bovis, at the request of the Great
Park’s CEO, Mr. Ellzey. He was later contracted by PBS&J, Bovis’ successor.

l. Larry Agran: The former Chairman of the Great Park Board and former Mayor and
City Councilman of the City of Irvine.

m. George Urch: Respondent HSNO stated that Mr. Urch was a subcontractor to
Gafcon, a claim disputed by Gafcon. Mr. Urch, a Senior Public Agency Liaison, assisted the
Great Park and the Great Park Board on a “wide variety of public affairs, communications,
government affairs, transportation matters, and community outreach activity.”

n. The California State Auditor: The California Joint Legislative Audit Committee
requested that the State Auditor review Respondent HSNO’s work for the City of Irvine. On
August 9, 2016, the State Auditor issued Report 2015-116, titled “City of Irvine Poor Governance
of the $1.7 Million of the Orange County Great Park Needlessly Compromised the Review’s
Credibility,” which, among other things, was critical of the City of Irvine’s engagement and
management of Respondent HSNO, and the City of Irvine’s failure “to follow its policies and
procedures when selecting and overseeing the consultants performing the park review.”

Specifically, the State Auditor noted the following: “In contracting with HSNO …., Irvine did not
ensure that the park review was conducted according to the industry standards most appropriate
for achieving the city’s goals for the review.”

RESPONDENT HSNO’S TWO REPORTS FOR THE CITY OF IRVINE

17. Respondent HSNO was engaged to prepare two reports for the City of Irvine.

Respondent Money served as the lead HSNO partner on both reports. As set forth below, each
report contained findings reached by Respondents in violation of applicable professional
standards.

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18. Respondent HSNO and the City of Irvine entered into an Agreement for Contract
Services in or about June 2013 for an amount not to exceed $240,000 (Contract 1). The Scope of
Services in Contract 1 was set forth in Part IV titled “Great Park Contract Performance Review.”
In general, Respondent HSNO’s scope of work in Contract 1 was to assess whether the City’s
procedures had been followed related to Great Park procurement.

19. Respondent HSNO’s first report pursuant to Contract 1, the Orange County Great
Park Forensic Contract Performance Review, was dated January 9, 2014 (Report 1).

20. Respondent Money delivered Respondent HSNO’s report to the City Council on
January 14, 2014 (the January 2014 Presentation), at a duly noticed regular public City Council
meeting. The City Council meeting was broadcast to the public over a webcast, and video of the
meeting was maintained on the City of Irvine’s website. In a presentation that took approximately
two hours, Respondent Money outlined Respondent HSNO’s findings regarding the Great Park
project. Respondent Money provided commentary on Respondent HSNO’s findings through a
PowerPoint presentation of approximately 90 slides. After Respondent Money concluded his
presentation, some members of the City Council complained that they had not received advance
briefings or progress reports on Report 1.

21. Report 1 contained twenty-one (21) specific findings (as well as other observations).
Respondent Money stated that a finding constituted an “exception or concern” identified during
the course of the performance of Respondent HSNO’s Contract 1 engagement. Report 1 was not
labeled or stamped “draft” or “preliminary.” However, on page 9 of Report 1, Respondent HSNO
stated that its findings were preliminary “[b]ecause all relevant parties have not been
interviewed.”

22. During and after the January 2014 Presentation, Respondent HSNO was informed
that certain findings were either incorrect or disputed by City Council members, as well as City
and Great Park staff. These objections to Respondent HSNO’s findings principally stemmed from
an alleged failure to adequately consider available data. In the context of the professional
standards referenced above, Respondent HSNO was alleged to have failed to support its findings

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with sufficient relevant data or to have failed to apply appropriate due professional care in the evaluation of the data it had gathered.

**Respondent HSNO’s Report 2**

23. Following the January 2014 Presentation, Respondent HSNO and its Client, the City of Irvine, agreed to additional work, which would result in over $500,000 in billings, in addition to the $240,000 paid to Respondent HSNO for Report 1. On or about March 23, 2015, Respondent HSNO issued its second report related to the Great Park Forensic Contract Performance Review (Report 2). Respondent HSNO described Report 2 as follows:

On January 29, 2014, HSNO was engaged by the City to perform additional services under the June 17, 2013 contract. This report is our final report and supersedes our preliminary report dated January 9, 2014.

24. Report 2 further stated:

... documents have been reviewed. Some areas of inquiry did not result in clear enough information needed to reach conclusions for a final report. Some of the information and documents obtained appeared to warrant further investigation and inquiry. Where the performance review has ultimately lead to an inconclusive determination, the preliminary findings and areas of inquiry are hereby withdrawn from this analysis.

25. Thus, Respondent HSNO’s Report 2 suggests that unless a particular Finding from Report 1 was also addressed in Report 2, the Finding was no longer applicable. Respondent HSNO later informed the CBA, however, that all of its Findings in Report 1, except where specifically modified in Report 2, remain intact, despite having characterized the findings in Report 1 as “preliminary.” Report 2, however, contains only seven specific Findings (as compared to at least 21 Findings in Report 1). Yet, the Findings in Report 2 are not linked or referenced to the Findings in Report 1, and, in at least some instances, appear unrelated to the Findings in Report 1.

**RESPONDENT HSNO’S REPORTS 1 AND 2 CONTAIN FINDINGS THAT FAIL TO CONFORM WITH PROFESSIONAL STANDARDS**

26. The departures from applicable professional standards discussed below are attributable, at least in part, to Respondent HSNO’s findings that were beyond the scope of its
agreement with its Client. When Respondent Money presented Report 1 on January 14, 2014 at
the Irvine City Council Meeting, he made the following assertion:

So I really want to emphasize, this is a super important slide that this review
was a review of the City’s policies and the Great Park policies. It was the purpose
and the scope was not to review the actions of any particular contractor or
subcontractor. It was not to determine whether or not expenses should or should
not have been incurred. It was not to measure the effect of any exceptions that we
found and it was not to opine on value received for services rendered. It was
merely a review of City’s processes and where we found exceptions. It was
identifying how those processes broke down and basically what happened.

27. Yet, Respondent HSNO did review the actions of particular contractors, did address
expenses that Respondent HSNO indicated should not have been incurred, and did measure the
effect of exceptions found.

Respondent HSNO’s Report 2, Finding 1 Re: Mr. Agran Misleading the Public

28. Respondent HSNO made the following “Finding” 1 in its Report 2:

Mr. Agran mislead [sic] the public on January 23, 2006, when he said the
Great Park could be built for $401 million, when he had been previously told in
November 2005 it would cost approximately $1 billion.

29. Respondent Money stated that this Finding constituted a significant allegation against
a public official.

30. Respondent HSNO departed from professional standards in developing and reporting
this Finding as (i) Respondent HSNO was not competent to make the Finding, (ii) Respondent
HSNO failed to exercise due care in reaching its Finding, and (iii) Respondent HSNO lacked
sufficient relevant data to support its Finding. Specifically:

31. First, Respondent HSNO Was Not Competent Regarding Mr. Agran’s Intent.
Respondent HSNO was not competent (as required by General Standard No. 1), and did not
possess sufficient relevant data (as required by General Standard No. 4), regarding Mr. Agran’s
intent to make Finding 1.
32. **Second, Respondent HSNO Did Not Objectively Report Mr. Agran’s Statement.** The context of Mr. Agran’s January 23, 2006 speaking points concerned the rationale for the selection of the Ken Smith Design Team to prepare the Great Park master design (i.e., providing the basis for an update to the then-existing 2004 Plan associated with the Great Park). Specifically, the agenda for this Great Park Board meeting called for a vote to approve the Ken Smith Design Team. Mr. Agran’s comments commenced at about 3 hours 4 minutes into the meeting, after Mr. Agran had been speaking for nine minutes about the selection process. There was no budget attached to this vote by the Great Park Board. There was also no fixed design plan that had been drafted whereby Ken Smith expressed the Great Park could only be developed for $1 billion.

33. Further, Respondent HSNO’s finding that Mr. Agran was misleading the public that the Great Park “could be built for $401 million” misstated Mr. Agran’s comment, which was: What I also learned on the visit to New York is that within the $401 million available to us, $201 million buried for the most in the ground in backbone infrastructure and $200 million above ground, we can expect to see a master design that comfortably fits within the $200 million above ground and includes...

34. Thus, Mr. Agran’s statement continued to address elements of the possible master design for the Great Park that could be expected. Mr. Agran did not, however, commit to the public that all of the hoped-for design elements “could be built for $401 million” as Respondent HSNO reported.

35. **Third, Respondent HSNO’s Report Did Not Address Other Plausible Data Underlying Mr. Agran’s Statement.** For example, on or about December 16, 2004, a little over a year before Mr. Agran’s statement, a Business Plan for the Great Park was developed that projected sources of funds including $401 million from Lennar and community facility district bonds, as well as $15 million of annual operating revenue (the 2004 Plan). Thus, the 2004 Plan contemplated other sources of funds to develop the Great Park, including Redevelopment Agency (RDA) funds. In fact, HSNO stated in Report 2 that the “planned source of funds at this time was projected to be $672 million.” By September 2006, the funding sources were projected to be $1.45 billion. Given the discrepancy between the $401 million figure cited by Mr. Agran and the
then-current outlook for funding (i.e., more than $600 million), Respondent HSNO should have
determined whether its Finding objectively reported the facts associated with the statement.

36. Further, Respondent HSNO lacked sufficient relevant data to rule out other plausible
explanations for Mr. Agran's comment. For example, in his statement, Mr. Agran uses language,
such as "likely" and "possibly," that suggests design elements as options rather than pre-
determined features. Accordingly, Respondent HSNO also could not have known whether Mr.
Agran had continued to operate on the approximate $400 million funding and cost assumption in
the then-current 2004 Plan, but allow the Ken Smith Design Team to conduct the work necessary
to create an informed cost estimate to be presented for public disclosure. Other Great Park Board
members and city staff had been presented with the same $1 billion estimate, but did not object to
Mr. Agran's statement. Mr. Agran could have concluded the cost estimate of the Great Park
would evolve as the master design process proceeded as articulated in the 2004 Plan. However,
unless and until Respondent HSNO resolved these potential ambiguities, Respondent HSNO had
not gathered sufficient relevant data to conclude Mr. Agran's statement was inaccurate, which
was necessary before Respondent HSNO could reasonably conclude that Mr. Agran had misled
the public.

37. Further Evidence That Respondent HSNO Did Not Have Sufficient Relevant Data
To Report That Mr. Agran Believed The Cost Of The Elements Described In His Statement
Would Be $1 Billion. In its Report 2, Respondent HSNO cited all the data it had acquired to
support its finding, but failed to reconcile the cost of the elements described by Mr. Agran with
the claimed contradictory $1 billion "very preliminary cost" estimate. Absent a reconciliation,
Respondent HSNO lacked sufficient relevant data to conclude the nature of the two amounts were
identical. Consequently, Respondent HSNO did not validate that its hypothesis of what Mr.
Agran was communicating was consistent with what Mr. Agran was actually attempting to
communicate (e.g., through interview or deposition).

38. Respondent HSNO's Finding Is Also Flawed Because It Did Not Have Data
Indicating That The Public Had Been Misled. Despite Report 2 having been prepared more than
nine years after Mr. Agran's statement, Respondent HSNO failed to identify any data, including,
for example, contemporaneous media reports, supporting its finding that the public had been
misled by Mr. Agran’s comment. In contrast, there were press reports in August 2005—months
prior to the statement at issue—similarly characterizing the Great Park project as a $1 billion
project.

39. Therefore, Respondent HSNO Departed From CS 100 In Making This Finding.
First, Respondent HSNO reached this finding regarding Mr. Agran, despite it being outside the
scope of work which HSNO was engaged to perform. Second, Respondent HSNO was not
qualified to make the finding because Respondent HSNO was not competent regarding, and did
not possess sufficient relevant data concerning, Mr. Agran’s intent in making the statement.
Third, Respondent HSNO faulted Mr. Agran for asserting that the Great Park “could be built for
$401 million.” But, Mr. Agran did not state that the Great Park “could be built for $401 million.”
Respondent HSNO did not resolve the ambiguity regarding the nature of Mr. Agran’s actual
statement prior to expressing this Finding. As such, Respondent HSNO’s Finding was not an
objective presentation of Mr. Agran’s statement. Fourth, Respondent HSNO did not gather
sufficient relevant data to support this Finding. Specifically, Respondent HSNO did not gather
any data to ascertain whether the public had, in fact, been misled—and the evidence available to
Respondent HSNO indicated that the public was aware, prior to January 2006, that the cost to
develop the Great Park would reach $1 billion.

40. Conclusion: Respondent HSNO’s Finding was not in compliance with the First
(competence), Second (due professional care), and Fourth (sufficient relevant data) General
Standards.

Respondent HSNO’s Report 1, Finding 1 Re: Missing $38 Million
41. Respondent HSNO made the following “Finding” 1 in its Report 1:

The vast majority of tax increment revenue received by the RDA, a key
component of the expected Great Park Financing, was not remitted to the Great
Park Funds.

42. Respondent HSNO’s work on this Finding was outside its scope of work for the City
of Irvine, and the City of Irvine’s staff had instructed Respondent HSNO that its work on this
Finding was outside the contract scope. Furthermore, Respondent HSNO departed from professional standards in developing and reporting this Finding as (i) Respondent HSNO failed to exercise due care in reaching its Finding, and (ii) Respondent HSNO lacked sufficient relevant data to support its Finding. Specifically:

43. **Respondent HSNO Did Not Have Sufficient Relevant Data to Support This Finding.** At the time it presented its Findings in January 2014, Respondent Money informed the City of Irvine that these funds, amounting to $38 million, “just weren’t received by the Great Park, so we don’t know where they are.” While Respondent Money informed the City of Irvine that he believed there was an explanation as to where the money was, or why it had not been remitted, Respondent HSNO did not know where it was, and if “it’s handled improperly, there needs to be some investigation as to where it went.” Subsequent to Respondent Money’s presentation, a city employee recounted her conversation with Respondent Money that Respondent HSNO’s analysis of this issue was outside its scope of contract, and informed the City Council that the money was in a required RDA set-aside account. Respondent Money agreed that explanation was “perfectly good.”

44. **In Reaching This Finding, HSNO failed to exercise due professional care, departing from CS 100’s requirement that it serve “the client interest by seeking to accomplish the objectives established by the understanding with the client while maintaining integrity and objectivity.”** The California State Auditor, in reviewing Respondent HSNO’s Finding, came to the same conclusion, writing in its report dated August 9, 2016 that:

Operating under standards requiring this type of communication with city staff or the city council would have helped identify a faulty conclusion that caused a great deal of unnecessary publicity. In its January 2014 report, HSNO concluded that the vast majority of tax increment revenue, a key component of the expected Great Park financing, had not been remitted to the Great Park Fund. Specifically, HSNO stated that Great Park had not received $38 million of these funds and that HSNO had attempted to determine how the funds were used, but reported that city staff told the firm that doing so was not within the scope of the park review contract.
Nevertheless, HSNO reported on these funds in its January 2014 report. This finding led to numerous unnecessary reports by the media and others regarding concerns about the use of the funds. Subsequently, city staff was able to demonstrate how the city accounted for the funds. Had Irvine required HSNO to follow standards requiring it to communicate its intention to report what it believed to be missing funds as a finding and to obtain feedback from Irvine before HSNO publicly issued its report, staff would have had the opportunity to provide the missing information, thus avoiding both damage to the credibility of the report and unnecessary criticism of Irvine and HSNO.

45. During the public comment portion of the January 14, 2014 City Council meeting, members of the public spoke to the City Council complaining about the Great Park project, with one citizen commenting on the $38 million “not being accounted for….” Similarly, media outlets carried stories about the unaccounted $38 million. For example, on January 10, 2014, the Orange County Register ran a story, titled “Great Park audit questions spending,” that stated in part:

Millions of dollars spent on public relations and lobbying, contractors that weren’t investigated ahead of time, $38 million of tax increment revenue that hasn’t been accounted for, and a culture of political pressure of cronyism are among numerous issues raised in an audit of the Great Park released Friday to the public.

.....

While $5.5 million worth of tax increment was transferred from the city’s redevelopment agency to the Great Park, it isn’t known what happened to another $38 million in revenue that should have also gone to the park, according to the auditors.

46. Conclusion: Respondent HSNO’s Finding was not in compliance with the Second (due professional care) and Fourth (sufficient relevant data) General Standards.
Respondent HSNO’s Report 1, Finding 2 Re: Circumvention of Process

47. Respondent HSNO made the following “Finding” 2 in its Report 1:

The Consultant Team process was circumvented when MCK was hired
through PBS&J, the Program Manager.

48. As set forth above, Bovis functioned as the Program Manager for the City of Irvine
during the Master Design phase, and later during the Schematic Design (Phase 2) from March
2006 through June 2009. During that time, Brian Day was a Bovis Vice President and the
Principal-in-Charge for the Great Park project. In July 2007, Bovis retained PBS&J as a
subcontractor related to the Program Manager role. Respondent HSNO’s Report 1 states that Mr.
Ellzey asked Mr. Day at Bovis to hire Mr. McDevitt in September 2008. Then, in October 2008,
Mr. McDevitt was hired by Bovis as a sub-consultant. Subsequently, Mr. McDevitt became the
principal program manager on behalf of the Great Park.

49. Respondent HSNO Was Not Competent Regarding Mr. Ellzey’s Intent.

Respondent HSNO identified concerns with the hiring of Mr. McDevitt, including that the
Consultant Team selection process was purportedly not followed. Respondent HSNO expanded
its Finding to identify the purported reason that Mr. McDevitt was hired in this way:

Mr. McDevitt was engaged in this fashion to conceal the true nature of his assignment from
elected officials and the Design Studio.

50. Respondent HSNO reported on Mr. Ellzey’s purported intent in hiring Mr. McDevitt
(i.e., “to conceal the true nature of his assignment…”). Respondent HSNO was not qualified to
communicate this Finding because Respondent HSNO was not competent regarding, and did not
possess any data concerning, Mr. Ellzey’s intent in hiring Mr. McDevitt. Until Respondent HSNO
confirmed the existence of a restriction, the alternative conclusion could have been drawn: Mr.
McDevitt was hired in an appropriate manner (i.e., a circumvention had not occurred).

51. Respondent HSNO Did Not Adequately Consider Relevant Data. Respondent
HSNO’s Finding is either incorrect or at least incomplete. Respondent HSNO was not aware of
any restrictions in the City of Irvine’s policies that prevented Bovis or PBS&J from hiring Mr.
McDevitt as a subcontractor. Without the existence of such a restriction, Respondent HSNO had

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no data sufficient to support its finding that City of Irvine policy had been violated. Respondent HSNO’s Finding also included that Mr. McDevitt’s hourly rate was inflated to accommodate Mr. McDevitt’s travel costs, which were otherwise not reimbursable by City of Irvine policy. This aspect of the Finding indicates that the establishment of Mr. McDevitt’s rate circumvented City of Irvine policy. The data Respondent HSNO cited was a declaration by Mr. Day. But, Mr. Day’s declaration did not state that Mr. McDevitt’s rate was inflated. At a minimum, conflicting data was available on this Finding. Mr. Ellzey, for example, testified that Mr. McDevitt’s rate was not inflated, for travel costs or otherwise. Since Mr. Ellzey was the individual responsible for hiring Mr. McDevitt, Respondent HSNO should have sought data from Mr. Ellzey to establish whether its interpretation of Mr. Day’s views were objective.

52. **Respondent HSNO’s Finding Did Not Objectively Present Data Available From Mr. Ellzey Regarding Mr. McDevitt’s Retention.** Respondent HSNO’s scope of services referenced the prior contract compliance reviews performed by other accounting firms. In particular, the scope of Respondent HSNO’s work for Report 1 was to explore the findings in the July 2009 Contract Compliance Review. In the presentation of that report, Mr. Ellzey stated it was customary for the client to receive discussion drafts prior to the final report for several reasons, including to identify further information needed and to confirm the accuracy of factual matters—a process complied with by the prior auditor.

53. Respondent HSNO should have been aware of its Client’s expectation. Even if it was appropriate for Respondent HSNO to report upon Mr. Ellzey’s intent with respect to the retention of Mr. McDevitt, to exercise *due professional care* in conformance with the AICPA General Standard No. 2, Respondent HSNO should have determined whether other data was available to confirm or reject its hypothesis. As described below, Respondent HSNO failed to do so in a reasonable manner.

54. Mr. Ellzey’s written statement indicates that Respondent HSNO met with Mr. Ellzey on this issue. Therefore, Respondent HSNO had available to it, yet did not gather *sufficient relevant data* to present this Finding objectively (*i.e.*, it did not obtain, or least did not report, data available from Mr. Ellzey, who was the subject of this Finding). Ultimately, Respondent HSNO
was aware that Mr. Ellzey did not believe Respondent HSNO’s report objectively presented the
circumstances surrounding Mr. McDevitt’s retention.

55. **Respondent HSNO Did Not Clarify This Finding In Report 2.** On June 4, 2014, Mr.
Ellzey provided a written statement that, in part, addressed the circumstances surrounding the
retention of Mr. McDevitt. Mr. Ellzey’s explanations contradicted Respondent HSNO’s finding
that Bovis did not have a need for a subcontractor such as Mr. McDevitt. Although this data
would have contributed to an objective presentation of this Finding, Respondent HSNO did not
include such information in its reports. In Report 2, Respondent HSNO provided two citations to
Mr. Ellzey’s above-referenced statement and one citation to Mr. Ellzey’s deposition; however, it
is unclear whether Respondent HSNO withdrew some or all of its Report 1 Finding with respect
to the retention of Mr. McDevitt.

56. **Conclusion:** Respondent HSNO departed from CS 100 in multiple ways related to
this Finding. First, Respondent HSNO was not *competent* to make a finding regarding Mr.
Ellzey’s intent in hiring Mr. McDevitt (General Standard No. 1). Second, Respondent HSNO
failed to gather *sufficient relevant data* regarding this Finding (General Standard No. 4). That is,
additional data was readily available, including from the individual that was the subject of this
Finding, but Respondent HSNO failed to obtain or communicate it. As a result, Respondent
HSNO’s Finding was not an objective portrayal of the events. Thus, Respondent HSNO failed to
apply *due professional care* in the performance of its work (General Standard No. 2).

**Respondent HSNO’s Report 1, Finding 7 Re: Gafcon Not Being Vetted**

57. Respondent HSNO made the following “Finding” 7 in its Report 1:

City policy was not followed when Gafcon was not vetted.

58. **City Policy Did Not Require Gafcon’s References To Be Checked.** This Finding
states unambiguously that Gafcon was not vetted. Respondent HSNO’s specific Finding was that
the City of Irvine did not check Gafcon’s references, which was a purported violation of the City
of Irvine’s policies. During its investigation of this issue, Respondent HSNO sought clarification
regarding the City of Irvine’s policy in consideration of the fact that the Design Studio was
comprised of multiple entities, including Gafcon (*i.e.*, were references required in this situation,
and if so, were references required for all entities?). However, Respondent HSNO did not obtain
data sufficient to demonstrate that City of Irvine policy was not followed. In fact, Respondent
Money later informed the CBA that the City of Irvine’s policy did not require Gafcon’s
references be checked.

59. Ultimately, Respondent HSNO obtained data indicating that the City of Irvine, in
2013, could not locate the project file from approximately 2005 to provide documentary evidence
that the references of all of the members of the Design Studio team (i.e., including Gafcon) had
been checked. In the absence of the project file, Respondent HSNO assumed that Gafcon’s
references had not been checked, and, therefore, Gafcon had not been vetted. Respondent
HSNO’s conclusion, however, was contradicted by the data in its own files. Specifically,
Respondent HSNO’s files indicate that Gafcon was a member of the Design Studio when the
representatives of the City of Irvine performed a site inspection in New York during 2005. In fact,
in Report 2, Respondent HSNO cites Gafcon’s presence during that site inspection in 2005 (prior
to the selection of the Design Team in January 2006). Thus, Respondent HSNO’s Finding, which
was expressed as a matter of fact, was not supported by either sufficient relevant data or HSNO’s
own standards for presentation of findings (i.e., if data was inconclusive it was later withdrawn).

60. **Respondent HSNO Did Not Describe Whether Other Apparent Vetting of Gafcon
Caused This Finding To Be Inconclusive.** Other available evidence, not addressed by
Respondent HSNO, also existed that Gafcon was vetted by the City of Irvine. At the March 23,
2006 Great Park Board Meeting, Christina Lo (Templeton), the Great Park Corporation’s
Manager of Engineering, indicated that reference checks were made on the firms that had
submitted proposals to become the Program Manager for the Great Park, including Gafcon. As
part of that process, Gafcon was recommended by the CEO of Heritage Fields, a Lennar entity,
and others.

61. **HSNO Transformed This Finding In Report 2, But Continued To Lack Sufficient
Relevant Data.** Report 2 augmented Finding 7 in Report 1 with a December 2005 statement by
Diane Ghirardo, one of seven members of the design jury formed by the City of Irvine, as well as
an interview with Ms. Ghirardo in 2015 (i.e., 10 years later). Respondent Money told the CBA
that Ms. Ghirardo had not recommended the Ken Smith Design Team. This data, however, was
not relevant to the Finding that Gafcon was not vetted or whether an exception to City of Irvine
policy had occurred. Further, Respondent HSNO failed to reconcile Ms. Ghirardo’s opinion with,
for example, the actual Great Park Board Members, including Councilwoman Shea, who
described her assessment of Gafcon as follows:

“Just to comment on Director Ray’s comment about Gafcon, I will say that when I
was back in New York [in December 2005], that the one, they provided the, the
presentation to us, at least a portion of presentation, I was nothing but, blown over by the
fact that they knew what they were doing and they really have a history of putting together
a budgetary process that made me feel very comfortable....”

62. Councilwoman Shea’s contemporaneous views indicate that Gafcon was vetted prior
to the approval of the Design Studio in January 2006. Finally, this data contradicted Respondent
Money’s assertion that HSNO’s work did not focus on a specific contractor.

63. **Conclusion: Respondent HSNO Departed From CS 100 in Finding 7 in Report 1:**
First, in reaching Finding 7 in Report 1, Respondent HSNO did not apply *due professional care*,
when a violation of City Policy had not objectively occurred (General Standard No. 2). Second,
Respondent HSNO had relevant data indicating that Gafcon was an entity known to the selection
team, but Respondent HSNO did not adequately communicate this contradictory data in Report 1.
In this way, Respondent HSNO failed to obtain *sufficient relevant data* to present the Finding
objectively (General Standard No. 4).

**Respondent HSNO’s Report 1, Finding 12 Re: Contractor Being Over Paid**

64. Respondent HSNO made the following “Finding” 12 in its Report 1:
The Design Studio received payments for the same services twice.

65. This Finding communicated that Gafcon, a component entity of the Design Studio,
was paid twice for the same services. In particular, Respondent HSNO observed that certain
expenses were billed pursuant to Change Order 35 on a time and materials basis. Respondent
HSNO’s concerns related to billings associated with a receptionist as well as reimbursable
expenses, professional liability insurance premiums, and office supplies. Respondent HSONO considered these items to be fixed fees pursuant to Contract 5759.

66. *The Data Respondent HSONO Gathered Was Inconclusive to Support This Finding.* Respondent HSONO asserted Report 1 was preliminary to the extent that it had not interviewed Gafcon. Here though, Respondent HSONO did not need to interview Gafcon. This Finding was a “contract interpretation issue,” where Respondent HSONO questioned whether Gafcon could bill these items on a time and material basis or whether these items were, instead, incorporated in the fixed fee component. In fact, Respondent HSONO acknowledged that this Finding was, in fact, a question. Respondent HSONO, however, communicated the Finding as a declarative statement that Gafcon had been paid twice for the same services, and Respondent HSONO’s Client understood this Finding to communicate that Gafcon had been paid twice. Later, in Report 2, Respondent HSONO acknowledged, “We [HSONO] cannot conclude that Gafcon had duplicate billings on Contract 5759.” Thus, Respondent HSONO withdrew its Finding 12.

67. *Conclusion: Respondent HSONO Departed from CS 100 In Reaching Finding 12 in Report 1.* Respondent HSONO’s expression of this Finding exhibited a departure from the standard of due professional care (General Standard No. 2). That is, Respondent HSONO was focused on its subjective view that the City’s contract was a “bad contract.” Therefore, this Finding was not based on an objective evaluation of the available data.

68. Further, at the time Respondent HSONO’s Report 1 was issued, Respondent HSONO did not have sufficient relevant data to express this Finding. As described above, this Finding was still a question. Respondent HSONO therefore departed from CS 100 when it failed to acquire sufficient relevant data to support this Finding (or withhold expression of the Finding because it was uncertain about its reliability) (General Standard No. 4). Finally, Respondent HSONO’s communication of this Finding contradicted Respondent Money’s statement that Respondent HSONO did not “review the actions of a particular contractor.”

**Respondent HSONO’s Report 1, Finding 13 Re: Inappropriate Subcontractor Services**

69. Respondent HSONO made the following “Finding” 13 in its Report 1:

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For the period July 2005 to December 2012, Forde & Mollrich received
from the Great Park over $7.2 million\(^{11}\) for services related to Strategy and Public
Relations. Of this amount, $6.3 million was included under contracts for design.
Strategy and Public Relations do not appear to be consistent with design functions.

70. The entity relevant to this Respondent HSNO Finding was Forde & Mollrich. Report
I also stated: “The involvement of Forde & Mollrich as a subcontractor to the Design Studio
seems inappropriate.”

71. **Respondent HSNO Did Not Have the Expertise to Evaluate Forde & Mollrich’s
Services and, Therefore, Was Not Competent to Reach This Finding.** Respondent HSNO did
not possess the expertise to evaluate the work performed by Forde & Mollrich. Respondent
HSNO’s lack of expertise on the relationship between public relations services and project design
was noted by Respondent HSNO’s Client, the City Council, at the January 2014 Presentation.
Further, prior to the inclusion of Forde & Mollrich in the Schematic Design contract, the then-
CEO of the Great Park, Sharon Landers, described Forde & Mollrich’s strategy and
communications services as a significant piece of the scope of that contract. Moreover, the
specific nature of Forde & Mollrich’s services were articulated in a submission to the Great Park
Board of Directors. Thereafter, the City Council and the Great Park Board approved the inclusion
of Forde & Mollrich in the Schematic Design contract. Consequently, the request to include
Forde & Mollrich was transparent and expressly connected to the Great Park project, and the
CEO of the Great Park and Great Park Board of Directors, who were knowledgeable about Forde
& Mollrich’s services, contemporaneously approved the inclusion of its services.

72. **Respondent HSNO Did Not Identify Any City Policy Violated When Forde &
Mollrich Was Retained as a Subcontractor.** Respondent Money informed the CBA that Finding
13 was actually limited to the fact that Forde & Mollrich should not have been a subcontracted
member of the Design Team (*i.e.*, a separate contractual arrangement should have been
established for Forde & Mollrich’s services). Yet, Respondent HSNO did not identify any City of
Irvine policy violated by the method in which Forde & Mollrich was retained.
73. **Conclusion: Respondent HSNO Departed from CS 100 In Reaching Finding 13 in Report 1:** The available data indicates that Respondent HSNO’s Client contemporaneously recognized that Forde & Mollrich’s services were related to the design process. In fact, the relationship between those two services had been expressly documented at the time Forde & Mollrich had been retained. In consideration of the data supporting the Great Park Board of Directors’ contemporaneous decision-making, Respondent HSNO was not competent to assert otherwise (General Standard No. 1).

74. In addition, Respondent HSNO did not exercise due professional care when it expressed this Finding 13 based on its subjective view (General Standard No. 2). That is, to support Finding 13, Respondent HSNO should have acquired sufficient relevant data to demonstrate that Forde & Mollrich was not appropriately retained as a subcontractor. Yet, Respondent HSNO did not identify any City of Irvine policy that had been violated by the retention of Forde & Mollrich in this way (i.e., a departure from General Standard No. 4).

**Respondent HSNO’s Findings Related To Mr. Urch**

75. Report 1 contains two Findings, 14 and 15, both of which are related to George Urch, a claimed subcontractor to Gafcon. Mr. Urch’s services relevant to Respondent HSNO’s Findings were specified and approved in Change Order 35, the largest change order (approximating $3.5 million) associated with the Design Studio’s Contract 5759. Within this Change Order, Mr. Urch’s services were described by Respondent HSNO as assisting the Great Park and its Board on a “wide variety of public affairs, communications, government affairs, transportation matters, and community outreach activity.” As alleged above, the Great Park Board included each of the members of the Irvine City Council.

**Respondent HSNO’s Report 1, Finding 14 Re: Mr. Urch’s Improper Services**

76. Respondent HSNO made the following “Finding” 14 in its Report 1:

   Mr. Urch’s services did not appear to be consistent with the scope of Change Order 35.

77. Respondent Money informed the CBA that this finding, which was based exclusively on Respondent HSNO’s review of Mr. Urch’s timesheets, would not have been reached had Mr.
Urch identified the role of the individual he was assisting as a Great Park Board Member or in his or her capacity as a member of the City Council. Respondent Money explained that Respondent HSNO was not calling into question the services provided by Mr. Urch, just the capacity of the individual with whom he was interfacing. Instead, Respondent Money stated that this Finding conveyed Respondent HSNO’s concern that Mr. Urch’s services should have been approved in a separate change order (i.e., distinct from Change Order 35).

78. **Respondent HSNO Did Not Effectively Report This Finding To Its Client.**

Respondent HSNO’s reports do not appear to contain a description of the services Mr. Urch actually provided, an explanation as to why Mr. Urch’s services were incompatible with the other aspects of Change Order 35, or what City of Irvine policy required Mr. Urch’s services to be documented in a separate change order. In Report 1, Respondent HSNO recommended further action on this Finding. Specifically, Respondent HSNO indicated that additional work should be done to determine whether Mr. Urch’s services were: 1) outside the scope of the actual contract, or 2) duplicative of other work. But, Respondent HSNO had not identified the presence of these issues. In fact, as to the first issue, Respondent Money informed the CBA that Respondent HSNO did not question whether Mr. Urch’s work was inconsistent with the scope of Change Order 35.

79. At the January 2014 Presentation, City Councilman and Great Park Chairman Agrarian described the services he witnessed performed by Mr. Urch that appeared to conform to the description of the services that were approved in Change Order 35. On the other hand, other City Council members interpreted Respondent HSNO’s finding to state Mr. Urch provided services to City Council members in a capacity other than as members of the Great Park Board.

80. In these circumstances, Respondent HSNO did not effectively communicate its specific Finding (i.e., that Respondent HSNO did not take issue with the nature of his services but rather the apparent form of the agreement documentation). But, Respondent HSNO did not do so in January 2014 or thereafter, including in Report 2. In fact, this Finding was not addressed in Report 2. Respondent Money informed the CBA that it was not significant enough to include at that time, which was inconsistent with Respondent HSNO’s inclusion of this Finding in Report 1.
81. **HSNO’s Finding Is Subjective.** Respondent Money informed the CBA that this finding addressed the “real scope of the contract.” In other words, Respondent HSNO viewed the scope of its work to encompass an assessment of the purpose of the parties’ contracting. Respondent HSNO’s engagement, however, was to focus on compliance-related aspects of actual contracts. Respondent HSNO was contracted to analyze whether an exception to the City of Irvine’s policy occurred when Mr. Urch’s services were approved as a component of Change Order 35. Respondent HSNO did not perform this step. Respondent HSNO’s scope of services did not require Respondent HSNO to report concerns regarding the nature of services that could be bundled into a single contract approval. To the extent Respondent HSNO’s Finding was that Mr. Urch’s retention required a separate Change Order or other form of agreement, Respondent HSNO failed to state the basis for reaching that conclusion.

**Respondent HSNO’s Report 1, Finding 15 Re: Improper Services for City Council Members**

82. Respondent HSNO made the following “Finding” 15 in its Report 1:

Descriptions on Mr. Urch’s time sheets under Change Order 35 indicated that he performed work for individual City Council members and billed the time to the Great Park.

83. Based on a review of Mr. Urch’s invoices, Respondent HSNO identified $33,840 that contained some reference to work that appeared to have been performed for individual City Council members. This amount comprised less than one percent of the amount incurred in Change Order 35.

84. **Respondent HSNO Did Not Have Sufficient Relevant Data to Support This Finding.** The only data Respondent HSNO cited in Report 1 in support of Finding 15 was Respondent HSNO’s review of the line-item descriptions on Mr. Urch’s invoices. This data source was insufficient for Respondent HSNO to report to its Client that Mr. Urch’s work was performed for City Council members acting in that capacity, as compared to the same individuals operating as Great Park Board Members (i.e., the nature of Respondent HSNO’s Finding).

85. **HSNO’s Report Did Not Effectively Communicate This Finding To Its Client.** Respondent Money later stated to the CBA that this Finding was applicable even if Mr. Urch...
performed services for City Council members acting in their capacity as Great Park Board Members. Instead, Respondent Money told the CBA that this Finding was a “governance” issue; Respondent HSNO was apparently concerned about either Great Park Board members or City Council members directing the work of contractors. Respondent HSNO’s reports did not adequately communicate the nature of this Finding to its Client. Respondent HSNO’s Report 1 does not contain a reference to “governance,” including as it related to Finding 15. Similarly, Respondent HSNO’s Report 2 does not reference “governance” as a concern. In fact, as it relates to Mr. Ureh, the relevant Finding in Report 2 appears limited to the statement “Mr. Ureh was hired at the recommendation of Mr. Agran.” Thus, Respondent HSNO did not report this Finding in such a way that it communicated the apparent nature of Finding 15.

86. Further, this Finding was not communicated in a reasonable manner because it was prone to misinterpretation by Respondent HSNO’s Client. That is, a reasonable interpretation of this Finding was that City Council members had used Mr. Ureh to divert Great Park resources for purposes unrelated to the Great Park. To be objective, as required by professional standards, Respondent HSNO’s report should have, at a minimum, included additional data to enable its Client to have a sufficient understanding of Finding 15.

87. Conclusion: Respondent HSNO Departed from CS 100 Related to Findings 14 and 15: First, Respondent HSNO did not employ due professional care to communicate these Findings to its Client objectively (General Standard No. 2). As a result, different Client recipients interpreted Respondent HSNO’s Findings in significantly different ways. Respondent HSNO did not reconcile these interpretations either when Report 1 was presented in January 2014 or any time thereafter, including when Respondent HSNO issued Report 2. Second, Respondent HSNO’s reported Findings were not based upon sufficient relevant data (General Standard No. 4). Third, Respondent Money characterizes this Finding as a governance-related issue. But, governance was not an issue communicated in Respondent HSNO’s Report 1. Further, assuming this issue was adequately communicated in Respondent HSNO’s Report 1, such a Finding was not supported by sufficient relevant data (General Standard No. 4). Fourth, this issue appears to be a legal concern.
rather than a matter within the competence of HSNO (General Standard No. 1).

FIRST CAUSE FOR DISCIPLINE

(Failure to Comply with Professional Standards)

88. Respondents, and each of them, are subject to disciplinary action under Business and Professions Code section 5100, subdivision (g), in connection with Board Rule 58, in that Respondents, and each of them, failed to comply with applicable professional standards, including the following, each of which violated CS 100 and the AICPA Code of Professional Conduct:

a. Report 2, Finding 1 1. Respondents were not competent.
   2. Respondents did not exercise due care.
   3. Respondents lacked sufficient relevant data.

   5. Respondents lacked sufficient relevant data.

c. Report 1, Finding 2 6. Respondents were not competent.
   7. Respondents did not exercise due care.
   8. Respondents lacked sufficient relevant data.

   10. Respondents lacked sufficient relevant data.

   12. Respondents lacked sufficient relevant data.

f. Report 1, Finding 13 13. Respondents were not competent.
   14. Respondents did not exercise due care.
   15. Respondents lacked sufficient relevant data.

g. Report 1, Finding 14 16. Respondents were not competent.
   17. Respondents did not exercise due care.
   18. Respondents lacked sufficient relevant data.

h. Report 1, Finding 15 19. Respondents were not competent.
   20. Respondents did not exercise due care.
21. Respondents lacked sufficient relevant data.

89. Cumulatively, the above violations of professional standards in Respondents’ engagements with its Client constitute a failure to comply with the objectivity standards set forth in CS 100 of the AICPA Code of Professional Conduct, which imposes an obligation to be impartial and intellectually honest.

90. The circumstances are set forth above.

SECOND CAUSE FOR DISCIPLINE

(Repeated Acts of Negligence)

91. Respondents, and each of them, are subject to disciplinary action under Business and Professions Code section 5100, subdivision (c), in that Respondents, and each of them, engaged in repeated acts of negligence that indicate a lack of competency in the practice of public accountancy.

92. The circumstances are set forth above.

THIRD CAUSE FOR DISCIPLINE

(Dissemination of False or Misleading Information)

93. Respondents, and each of them, are subject to disciplinary action under Business and Professions Code section 5100, subdivision (j), in that Respondents, and each of them, knowingly prepared, published or otherwise disseminated a materially misleading report or information.

94. The circumstances are set forth above, particularly in connection with:

a. Respondents’ Report 1, Finding 1, that: “The vast majority of tax increment revenue received by the RDA, a key component of the Great Park financing was not remitted to the Great Park funds”;

b. Respondents’ Report 1, Finding 7, that “City policy was not followed when Gafcon was not vetted”; and

c. Respondents’ Report 1, Finding 12, that: “The Design Studio received payments for the same services twice.”

95. Respondents knew or should have known that Report 1, Finding 1 would mislead readers. Respondents did not know at the time whether the funds had been handled properly or

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improperly, yet worded the finding in a way that misled readers into believing that $38 million in funds were missing.

96. Respondents knew or should have known that Report 1, Finding 7 would mislead readers. Respondents did not know at the time that Gafcon had not been vetted in violation of City policy, and, in fact, Respondent Money later informed the CBA that the City of Irvine policy was not violated. Furthermore, Respondents knew or should have known that at the March 23, 2006 Great Park Board Meeting Christina Lo (Templeton) indicated that reference checks were made on the firms that submitted proposals to become Program Manager for the Great Park, including Gafcon.

97. Respondents knew or should have known that Report 1, Finding 12 also would mislead readers. For example, City of Irvine Councilperson Christina Shea stated on January 14, 2014: “The issue of double payments to contractors, that’s public money, no one should be paid double for anything.” Respondents did not possess sufficient relative data to find that the Design Studio, which included Gafcon, in fact received payments for the same services twice. In Report 2, written 14 months’ later, Respondents admitted that “We [Respondents] cannot conclude that Gafcon had duplicate billings in Contract 5759.”

PRAYER

WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged, and that following the hearing, the California Board of Accountancy issue a decision:

1. Revoking or suspending, restricting, limiting or otherwise imposing discipline upon Certified Public Accountancy Corporation Number COR 202, issued to Respondent Hagen, Streiff, Newton & Oshiro, Accountants, P.C.;

2. Revoking or suspending, restricting, limiting or otherwise imposing discipline upon Certified Public Accountant Certificate Number 48019, issued to Respondent Christopher Kent Money;

3. Ordering Respondents Hagen, Streiff, Newton & Oshiro, Accountants, P.C. and Christopher Kent Money to pay the California Board of Accountancy the reasonable costs of the
investigation and enforcement of this case, pursuant to Business and Professions Code section 5107;

4. Ordering Respondents Hagen, Streiff, Newton & Oshiro, Accountants, P.C. and Christopher Kent Money to pay the California Board of Accountancy an administrative penalty pursuant to Business and Professions Code section 5116; and,

5. Taking such other and further action as deemed necessary and proper.

DATED: 1-12-18

[Signature]

PATI BOWERS
Executive Officer
California Board of Accountancy
Department of Consumer Affairs
State of California
Complainant
BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA

In the Matter of the Accusation Against: Case No. AC-2017-79

HAGEN, STREIFF, NEWTON & OSHIRO, A CCUSATION
ACCOUNTANTS, P.C. 2415 Campus Drive Suite 225
Irvine, CA 92612

Certified Public Accountancy
Corporation Certificate No. COR 202

and

CHRISTOPHER KENT MONEY
2415 Campus Drive Suite 225
Irvine, CA 92612

Certified Public Accountant
Certificate No. 48019

Respondents.

Complainant alleges:

PARTIES

1. Patti Bowers (Complainant) brings this Accusation solely in her official capacity as the Executive Officer of the California Board of Accountancy, Department of Consumer Affairs.

2. On or about February 27, 1973, the California Board of Accountancy (CBA) issued Certified Public Accountancy Corporation Certificate Number COR 202 to the corporation now

(HAGEN, STREIFF, NEWTON & OSHIRO, ACCOUNTANTS, P.C., CHRISTOPHER K. MONEY) ACCUSATION
Ms. Lutar,

Attached is the fully executed Responsible Solutions Amendment No. 001 to your Consulting Agreement for your files.

Thank you.

Jaclyn Rehmer
Executive Legal Assistant
direct 858.875.0058 | main 858.875.0010
5960 Cornerstone Court West, Suite 100 | San Diego, CA 92121 | www.gafcon.com
WE DELIVER COMPLEX PROJECTS THAT POWER VIBRANT COMMUNITIES
Hello Ms. Lutar,

Attached please find Amendment No. 001 to your Consulting Agreement with Gafcon.

Please sign and return to me at your earliest convenience.

Thank you.

Jaclyn Rehmer
Executive Legal Assistant
direct 858.875.0058 | main 858.875.0010
5960 Cornerstone Court West, Suite 100 | San Diego, CA 92121 | www.gafcon.com
WE DELIVER COMPLEX PROJECTS THAT POWER VIBRANT COMMUNITIES
Thank you. I will send the fully executed agreement once completed.

From: Lani Lutar [mailto:laini@resp-solutions.com]
Sent: Thursday, January 4, 2018 3:54 PM
To: Jaclyn Rehmer <jrehmer@gafcon.com>
Cc: Paul Najar <pnajar@gafcon.com>
Subject: Re: Responsible Solutions Amendment 001-for signature

Dear Jaclyn,

The signed agreement is attached. Thank you for the opportunity to continue to support Gafcon!

Lani

On Thu, Jan 4, 2018 at 3:41 PM, Jaclyn Rehmer <jrehmer@gafcon.com> wrote:

Hello Ms. Lutar,

Attached please find Amendment No. 001 to your Consulting Agreement with Gafcon.

Please sign and return to me at your earliest convenience.

Thank you.