

CALIFORNIA
JOURNALISM
AWARDSVoice of OC stands among California's
top newsrooms

GREAT PARK AUDIT

State Looks to Revoke Irvine Great Park Auditors' Licenses in Beefed up Complaint



The iconic balloon at the Orange County Great Park.

By  SPENCER CUSTODIO

([HTTPS://VOICEOFOC.ORG/AUTHOR/SCUSTODIO/](https://voiceofoc.org/author/scustodio/)) 7 *hours ago*

The auditing firm that conducted two separate audits of Irvine's Great Park contracting and spending could have its certifications revoked, along with the auditors involved, after Patti Bowers, executive officer of the state Board of Accountancy, beefed up an existing complaint with the board.

Hagen, Streiff, Newton & Oshiro (HSNO), the Great Park auditing firm, allegedly didn't follow accounting standards, misled the Irvine City Council and lied about cooperation by Great Park contractors, according to the complaint. Bowers' findings largely echo State Auditor Elaine Howle's 2016 critical report of the Great Park audits.

"The reports prepared by Respondent HSNO contained misleading statements and failed to meet minimum professional standards that required due professional care, objectivity, and sufficient relevant data to support many of its findings and opinions. Respondent HSNO's findings and conclusions included falsely portraying that certain parties had failed to cooperate with Respondents HSNO's engagement, and that one party had double billed the City," reads the complaint.

The California Board of Accountancy is responsible for regulating over 97,000 accounting licenses of both firms and individuals. The board also sets statewide industry standards. In Bowers' complaint against HSNO, she's seeking reimbursement for the investigation from the firm and the auditors — Christopher Money and Jeffrey George.

Bowers issued the [first complaint January 2018](https://voiceofoc.org/2018/01/state-accountancy-board-issues-critical-report-of-irvine-great-park-audits/) (<https://voiceofoc.org/2018/01/state-accountancy-board-issues-critical-report-of-irvine-great-park-audits/>), but amended it to include more allegations against HSNO March 7 this year and added George to the complaint. Bowers also cited more violations of state accounting regulations in the complaint.

Irvine Mayor Pro Tem Christina Shea, who was on the Council and Great Park Board of Directors when HSNO conducted and issued the audits in 2015, said she's going to wait for the Board of Accountancy's decision before weighing in on the issue.

"I would hope the process would prove that they were a very good firm. I hope that it goes through a process that's appropriate and at the end of the day let's see what comes of it," Shea said.

When asked if she would support another audit of the Great Park, Shea said, "I honestly cannot opine until I see what conclusion could come of this."

Attorney Randall Dean, representing HSNO, said, in a Tuesday email, the accusations are "untrue and runs contrary to principles of government transparency and accountability to taxpayers."

Dean said the auditing firm adhered to all industry standards when it issued the first audit.

"It adhered to those same standards in issuing its final report once witnesses were compelled by the City to answer questions. Experienced experts have carefully examined the facts and agree that HSNO did its work correctly and professionally. HSNO is eager to share the facts with the court," Dean said.

Board of Accountancy spokesman Aaron Bone said the parties will meet March 28 to schedule a hearing, which will go before an administrative law judge. Typically the hearing is scheduled six to nine months from the initial meeting between the parties. After the administrative law judge renders a decision, the Board of Accountancy has 100 days to accept the decision, reject and remand it back to the judge or write its own decision.

This isn't the first time [criticism has been leveled against the audit process of the Great Park](https://voiceofoc.org/2015/10/has-the-great-park-investigation-become-its-own-boondoggle/) (<https://voiceofoc.org/2015/10/has-the-great-park-investigation-become-its-own-boondoggle/>) [spending. In August 2016](https://voiceofoc.org/2016/08/state-auditor-levels-heavy-criticism-on-irvines-great-park-audit/) (<https://voiceofoc.org/2016/08/state-auditor-levels-heavy-criticism-on-irvines-great-park-audit/>), California Auditor [Elaine Howle's office released a report](https://1ccaxf2hhhbh1jewikdicz7-wpengine.netdna-ssl.com/wp-content/uploads/2016/08/Irvine-Audit.pdf) (<https://1ccaxf2hhhbh1jewikdicz7-wpengine.netdna-ssl.com/wp-content/uploads/2016/08/Irvine-Audit.pdf>) which said the audit process was haunted by poor governance from the city, the subcommittee failed to enforce auditing standards, auditors didn't follow industry standards and said city officials failed to enforce the industry standards to ensure an impartial analysis.

Howle's report also found Irvine didn't follow its policies when choosing the accounting firm and found "little evidence that the subcommittee that oversaw both phases of the performance review of Great Park contracts added value. As a result, Irvine spent about \$1.7 million related to the park review in a manner that compromised the review's credibility."

HSNO claimed \$38 million was missing in Great Park funds in its audits, but both the Howle and Bowers said the firm lacked proof and the money was in a now-dissolved Redevelopment Agency (RDA) set-aside fund.

“Subsequent to Respondent Money’s presentation (Jan. 14, 2014), a city employee recounted her communication with Respondent Money that Respondent HSNO’s analysis of this issue was outside its scope of its 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,’” Bowers’ complaint reads.

The Great Park has been plagued by [controversy over numerous consultants employed](https://voiceofoc.org/2011/05/how-many-great-park-consultants-does-it-take-to-do-a-public-private-partnership/) (<https://voiceofoc.org/2011/05/how-many-great-park-consultants-does-it-take-to-do-a-public-private-partnership/>) and questions about spending have haunted the park’s development and the audits of the development. A major roadblock hit when former Gov. Jerry Brown axed redevelopment agencies statewide in 2011 and the [Great Park lost hundreds of millions of dollars in funding](https://voiceofoc.org/2011/07/should-the-great-park-be-spared-from-the-redevelopment-budget-ax/) (<https://voiceofoc.org/2011/07/should-the-great-park-be-spared-from-the-redevelopment-budget-ax/>). The state also denied [Irvine’s request in 2012 for a \\$1.4 billion tax stream](https://voiceofoc.org/2012/05/state-denies-great-park-bid-to-keep-1-4-billion-in-tax-dollars/) (<https://voiceofoc.org/2012/05/state-denies-great-park-bid-to-keep-1-4-billion-in-tax-dollars/>) that would’ve helped build the park.

HSNO withdrew the first audit in May 2015 and [replaced it with a second report](https://voiceofoc.org/2015/05/questions-continue-to-dog-great-park-auditors/). (<https://voiceofoc.org/2015/05/questions-continue-to-dog-great-park-auditors/>) The city initially paid \$240,000 for the first audit, but the costs climbed to roughly \$1.7 million — including money spent on outside lawyers — to examine why more than \$250 million was spent to develop 88 of the Great Park’s 1300 acres.

Bowers’ amended complaint added another allegation: HSNO mischaracterized a statement from former Mayor Larry Agran. The auditing firm claimed Agran said the Great Park “could be built for \$401 million,” according to the complaint.

Even though the audit was done nine years after Agran’s alleged statement, “Respondent HSNO failed to identify any data, including, 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,” reads the complaint.

Bowers’ complaint also focuses on HSNO’s claims against Great Park contractor, the San Diego-based Gafcon firm. Because of the audits, the contractor potentially lost millions of dollars in business, the complaint alleges.

“Respondent Money stated that Gafcon ‘wouldn’t even provide us [HSNO] documents. We had to subpoena them.’ This statement was false and misleading, in that Respondent HSNO never issued a subpoena for documents to Gafcon or even asked for documents prior to the issuance of Report 1 despite Gafcon repeatedly offering to produce documents,” reads Bowers’ complaint.

Bowers is asking the Board of Accountancy to consider the alleged harm done to Gafcon from HSNO’s false assertions.

“As a result of [HSNO’s] unprofessional conduct described herein, Gafcon suffered millions of dollars in damages, including lost profits and out-of-pocket expenses, attorneys’ and public relations fees, and increased insurance fees and premiums,” reads the complaint.

Spencer Custodio is a Voice of OC staff reporter. You can reach him at scustodio@voiceofoc.org (<http://mailto%40scustodio@voiceofoc.org/>). Follow him on Twitter [@SpencerCustodio](http://twitter.com/SpencerCustodio) (<http://twitter.com/SpencerCustodio>).