

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0080
(916) 319-2080
FAX (916) 319-2180

DISTRICT OFFICE
100 FRONT STREET, SUITE 6022
SAN DIEGO, CA 92101
(619) 338-8090
FAX (619) 338-8099

Assembly California Legislature



LORENA GONZALEZ
ASSEMBLYWOMAN, EIGHTIETH DISTRICT

COMMITTEES
ENVIRONMENTAL SAFETY AND
TOXIC MATERIALS
HEALTH
INSURANCE
LOCAL GOVERNMENT
PUBLIC SAFETY
SELECT COMMITTEE
CHAIR: WOMAN IN THE WORKPLACE

MAR 30 2015

March 30, 2015

Honorable Mike Gipson
Chair, Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95811

2015-108

Dear Assemblymember Gipson:

I respectfully request that the Joint Legislative Audit Committee approve an audit into the performance of Irvine City Council's Audit Subcommittee.

Background

In 2013, the Irvine City Council formed an Audit Subcommittee in order to conduct a "forensic audit" of the \$250 million of expenditures related to the Orange County Great Park. It appears that this audit did not conform to the established government and professional standards for an audit in the state of California and could set a troubling precedent for municipal audits in the future. Please note the following:

- This subcommittee consists of only two members of the City Council who have publicly referred to themselves as acting as a "grand jury."
- This subcommittee was granted the authority to operate in secret, to select a firm to conduct an investigation which they have called an "audit," hire and fire law firms, hire a private judge, issue limitless subpoenas, and publish deposition transcripts and audit information on its website before its "audit" was ever published.
- Subsequent to my original request to you, the auditing firm hired by the subcommittee withdrew its original and already published audit report (which has been publicly discredited), and yet the City is continuing to target certain contractors and parties who objected the Audit Subcommittee's process and brought to light the falsity of the information contained in the report.

Prior to the formation of the Audit Subcommittee, the Great Park project was the subject of 10 prior independent audits. None of the previous audits found any evidence of misappropriation of public funds of improper conduct by the City or its contractors.



As mentioned above, the Audit Subcommittee's hired firm issued its first report in January 2014; this report contained a series of allegations, which were proven false by City officials, contractors and the public. Facing state investigation into the City and its audit process, the audit firm recently issued a formal written withdrawal of its original audit report. That original audit report cost the City \$240,000. The audit firm also admitted that it did not perform its work in accordance with government or professional accounting standards, and that it was not, in fact, an audit, despite the City leading the public to believe it was.

After it became clear that the original audit was riddled with falsehoods and not performed in accordance with the appropriate standards, the Audit Subcommittee transferred the audit responsibilities to a law firm (which is not the current City Attorney for Irvine) and hired its own private judge. This law firm issued its own audit report on March 23, 2015 with brand new allegations against the parties who had assisted in demonstrating that original audit report was completely false.

Even though the City's audit has now been completed, the Audit Subcommittee and City Council are continuing to use subpoena powers to force a former City Councilmember to reveal the names of his campaign volunteers.

This audit has cost taxpayers upwards of \$1.5 million resulting in no finding of any significant wrong doing.

According to the 2011 Government Accounting Standards of the Government Auditing Office (GAO), government auditing is essential in providing accountability to legislators, oversight bodies, those charged with governance and the public. Audits must provide an independent, objective, nonpartisan assessment of the stewardship, performance, or cost of government policies, programs or operations. It appears that the City of Irvine's audit was designed by the Audit Subcommittee to instead promote a partisan position and provide false information in a manner that violates the government and professional accounting standards associated with public audits in California.

A formal state audit of the City of Irvine's audit process will resolve the issue of whether or not government or auditing standards were violated. In addition, it will provide critical guidance to all local agencies going forward on the appropriate process for independent, objective and nonpartisan audits, as well as the appropriate use of subpoena powers and the need for transparent procedures to protect the integrity of audits in California.

Our request for a State audit is limited to the activities of the Audit Subcommittee and the City Council, from the period of January 2013 through the present, to avoid any potential overlap with any other possible investigations that are underway by any other government office.

Audit Scope

I am seeking a State audit to answer the following questions related to the Irvine City Council and Audit Subcommittee:

1. Did the Audit Subcommittee, the City Council, auditors and attorneys follow the appropriate process for independent, objective and nonpartisan assessment in accordance with 2011 Government Accounting Standards of the Government Auditing Office (GAO) during the course of the audit and the writing of the reports? If not, why not?
2. Did the Audit Subcommittee and the City Council appropriately exercise subpoena power in accordance with California Government Code §37100, *et seq.*, during the course of this audit?
3. Did the Audit Subcommittee and the City Council follow the Ralph M. Brown Act California Government Code 54950 *et seq.*, in their conduct of this audit?
4. Were any state funds used for this audit, and if so, were these funds used appropriately?
5. Did the City Council or Audit Subcommittee make public statements to mislead the public into believing that the audit was independent, objective and nonpartisan in accordance with the appropriate professional and government standards?
6. Did discussions take place among the Audit Subcommittee, attorneys and auditors regarding the effect their reports and depositions and their timing might have on upcoming city and/or state elections?
7. Did the Audit Subcommittee follow the appropriate government procedures concerning the selection of the accountants, attorneys and private judge who conducted this audit, as well as the audit itself?
8. Did the Audit Subcommittee's apparent transfer of the audit responsibilities from an accounting firm to a law firm and private judge meet the requirements 2011 Government Accounting Standards of the Government Auditing Office (GAO) or accepted practices for local agencies in California?
9. Did the Audit Subcommittee and its agents violate State whistleblower protections by retaliating against the individuals and/or companies who were responsible for bringing to light the falsehoods and misleading information contained the original audit report and who later filed a complaint with the State Board of Accountancy against the auditing firm?

Urgency of Request

Given that Irvine's activities and enforcement of a subpoena relating the audit continues unabated and that taxpayer monies are being spent with haste and without discretion, I ask for your approval that this audit go forward in the immediate future.

Thank you for your consideration. I look forward to speaking with you about this request.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lorena', with a long horizontal flourish extending to the right.

LORENA GONZALEZ
Assemblywoman, 80th District

**2015-108
Irvine City Council's Audit Subcommittee
Requester: Assemblymember Gonzalez**

Request Date: March 30, 2015

Requested Completion Date: Assemblymember Gonzalez has requested this audit be given priority status.

Estimated Cost: \$250,800

Estimated Hours: 2,280

Other Work Within the General Area:

None.