

Forensic Audit of County Contracts

Phase 1 Presentation of Findings

Weaver and Tidwell, L.L.P.

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Scope of Work

- Forensic audit of 2,552 contracts established between January 2019 – August 2024 totaling approximately \$4.3 billion.

Summary of Contracts Included in Forensic Audit Scope (By Phase)			
Phase	No. of Contracts	Contract Amount	
Phase 1 (Top Priority Contracts)	145	\$	486,187,115
Phase 2 (High Priority Contracts)	681		1,712,996,693
Phase 3 (Medium Priority Contracts)	731		1,012,238,280
Phase 4 (Low Priority Contracts)	995		1,055,919,677
Total	2,552	\$	4,267,341,766



Scope of Work

Summary of 145 Phase 1 contracts by Department / Agency:

Summary of Phase 1 Contracts by Department / Agency			
County Department / Agency	No. of Contracts	Contract Amount	
HCA (Health Care Agency)	49	\$	406,662,835
OCCR (OC Community Resources)	47		22,227,664
CEO (County Executive Office)	25		50,184,652
COB (Clerk of the Board)	8		96,593
SSA (Social Services Agency)	7		6,768,532
C-R (Clerk Recorder)	4		5,238
PD (Public Defender's Office)	1		3,229
A-C (Auditor Controller Office)	1		1,893
OCWR (OC Waste & Recycling)	1		207,879
DA (District Attorney)	1		19,985
TTC (Treasurer-Tax Collector)	1		8,614
Total	145	\$	486,187,115



Scope of Work

Weaver Work Plan for Phase 1 Contracts:

- Work Step 1: Planning/Kickoff Meetings
- Work Step 2: Research/Investigation of Vendors
- Work Step 3: Review of Procurement Process and Competitive Bidding
- Work Step 4: Review of Payment Records
- Work Step 5: Review of Emails / Other Communications
- Work Step 6: Evaluation of Compliance with Local/State/Federal Requirements
- Work Step 7: Written Draft Report of Findings
- Work Step 8: Presentation of Findings to the Board



Summary of Findings

A. District 1 Tone at the Top Undermined County's Procurement Controls

- Past District 1 leadership (Former Supervisor Do and Chief of Staff) were very involved in procurement decisions
- Established a culture where decisions related to D1 contracts were not to be questioned
- Specific decisions identified during Phase 1 included:
 - Lump sum advanced payments for service contracts
 - Directives to pay vendors and contractors for invoices with open issues under review
 - Selection of vendors and grant recipients



Summary of Findings

B. Emergency Purchasing Authority and Sole Sourcing Allowed Contract Awards without Competitive Bidding or Board Approval

- Emergency purchasing authority implemented in April 2020
- Sole source procurements allowed approval of contracts without competitive bidding or Board approval
- Limited oversight of emergency purchases:
 - Departments only required to prepare an emergency justification memo
 - Resulted in blanket authorizations for broad categories of purchases directly or indirectly related to the County's response to COVID-19
 - Limited visibility of purchase amounts and vendors selected



Summary of Findings

C. Former Supervisor Do Steered Contracts to Specific Businesses

- Pattern of contracts and grants being steered to certain businesses by Former Supervisor Do, and often facilitated by Mr. Wangsaporn:
 - Businesses that employed immediate family member of Former Supervisor Do
 - Businesses that contributed to his political campaigns shortly after being awarded a contract
 - Businesses that provided a media platform for Former Supervisor Do
 - Businesses involved in Tet and Moon festivals on an annual basis



Summary of Findings

D. Limited County Oversight of Revenues and Expenditures for District 1 Festivals

- Sponsorship revenues were paid to third parties in lieu of being paid to the County
- Sponsorship revenues were primarily received by Peter Pham (through HD Entertainment) or by 2T Media (had a separate agreement to remit a portion of sponsorships to HD Entertainment, with 30% to be retained as a commission)
- Former Supervisor Do and Mr. Wangsaporn were aware that sponsorship revenues were being paid to 2T Media
- County procurement staff did not appear to be aware that sponsorship revenues were being paid to 2T Media



Summary of Findings

D. Limited County Oversight of Revenues and Expenditures for District 1 Festivals (continued)

- Limited oversight of County expenditures associated with festivals:
 - Advanced payments made to 2T Media to provide entertainment for the festivals based on round dollar amounts with limited supporting documentation
- Former Supervisor Do used certain other businesses to also provide services related to the Tet and Moon Festivals, including:
 - Viet America Society
 - Aloha Financial Services (dba Aloha Media)
 - HD Entertainment
 - Premiere Entertainment Solutions



Summary of Findings

E. Pass-Thru Grants Obfuscated County's Visibility of Disbursements to Subrecipients

- Former Supervisor Do directed pass-thru grant recipients related to District 1 Arts Relief Program to award grant to certain businesses
- As a result, pass-through grant recipients (i.e., Garden Grove Community Foundation and Westminster Chamber of Commerce) involved in the selection of grant subrecipients for only 33% of the grant funds
- By steering grant funds to certain subrecipients as a pass-thru, on its surface the grants did not appear to be awarded by the County, which obfuscated the visibility of certain grant recipients



Summary of Findings

E. Pass-Thru Grants Obfuscated County's Visibility of Disbursements to Subrecipients (continued)

- Subrecipients of \$300,000 grant awarded to Garden Grove Community Foundation selected by Former Supervisor Do:
 - \$100,000 to 2T Media
 - \$100,000 to Premiere Entertainment Solutions
- Subrecipients of \$300,000 grant awarded to Westminster Chamber of Commerce selected by Former Supervisor Do:
 - \$50,000 to Viet America Society
 - \$50,000 to Integrated Broadcasting Congregation
 - \$50,000 to Saigon Television Corp
 - \$50,000 to Vietnamese America Philharmonics



Summary of Findings

F. Former Supervisor Do Exerted Influence Over Payment Authorization Decisions

- Identified instances of using position as Board Supervisor to exert influence over payment authorizations to contractors
- Former Supervisor Do appeared to authorize HCA Director to issue payment to 360 Clinic for uncollectible claims (while still under review)
- Former Supervisor Do appeared to direct Westminster Chamber of Commerce to disburse \$50,000 to a subrecipient of the District 1 Arts Relief Program before the vetting process had been completed
- Former Supervisor Do and Mr. Wangsaporn requested for grant funds for the District 1 Arts Relief Program to be disbursed as quickly as possible



Summary of Findings

G. Weaver Review of Other Phase 1 Contracts

- Preceding findings pertain to 33 of 145 Phase 1 contracts
- Minor observations identified in remaining 112 Phase 1 contracts
- Refer to **Appendix B** of the report for detail of our review of all Phase 1 contracts



Recommendations

Based on our review of the Phase 1 contracts, Weaver has prepared the following recommendations for the County's consideration:

- Adopt Standardized Invoicing Requirements in Contract Policy Manual
- Update Code of Ethics to Ensure Board Members Do Not Influence Procurement Decisions
- Standardize Monitoring Requirements for Federal Contracts
- Extend Due Diligence Procedures to Subcontractors and Subawards
- Enhanced Annual Training Focused on Fraud and Internal Controls



Recommendations

- Evaluate Effectiveness of Fraud Reporting Hotline
- Establish Guidelines for the Solicitation and Receipt of Sponsorship Revenues from County-Funded Events
- Standardize Emergency Justification Memorandums Across Departments
- Improve Consistency of Sole Source Justifications
- Recovery of Any Overpayments to 360 Clinic for Uncollectible Claims Related to COVID-19 Testing Services
- Referral of Campaign Contributions to Former Supervisor Do

It is Weaver's understanding that subsequent to August 2024, the County has already taken steps to address certain of these areas, including updates to the Contract Policy Manual



Questions

Link to Weaver Forensic Audit Report for Phase 1:
<https://iad.oc.gov/audit-reports/fiscal-year-2025-26>