

# Forensic Audit of County Contracts

Phase 1 Presentation of Findings

Weaver and Tidwell, L.L.P.

- *Travis Casner, CFE (Partner)*
- *Sasha Gartman, CFE, CAMS (Director)*
- *Anthony Pabillano, CFE (Senior Manager)*

# 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
<b>Total</b>	<b>2,552</b>	<b>\$</b>	<b>4,267,341,766</b>

# 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
<b>Total</b>	<b>145</b>	<b>\$</b>	<b>486,187,115</b>



# 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>