

Internal Audit Department

O R A N G E C O U N T Y
5th Largest County in the USA

REVIEW OF ALLEGATIONS MADE ABOUT THE ASSESSOR AND THE CLERK OF THE BOARD AT MAY 18, 2010 BOARD OF SUPERVISORS' MEETING

The Internal Audit Department was asked to investigate serious allegations made against the Assessor and the Clerk of the Board during Public Comments at the Board of Supervisors meeting on May 18, 2010.

We concluded that the three serious allegations reviewed are entirely without merit. The documentation and purported “evidence” provided by the Complainant fails in its entirety to support any of the allegations he made in his public comments on May 18, 2010. Additionally, in all instances the allegations are directly refuted by readily available evidence examined by us. Our investigation into this matter is considered closed.

REPORT NO.: 2905-B

REPORT DATE: JULY 2, 2010

Director: [Dr. Peter Hughes, CPA, CFE](#)
Deputy Director: [Eli Littner, CPA, CIA, CFE](#)
Senior Audit Manager: [Alan Marcum, CPA, CFE](#)

RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award for Recognition of Commitment to Professional Excellence, Quality, and Outreach

 ORANGE COUNTY BOARD OF SUPERVISORS'
Internal Audit Department

GAO & IIA Peer Review Compliant - 2001, 2004, 2007

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

Dr. Peter Hughes **Ph.D., MBA, CPA, CCEP, CITP, CIA, CFE**
Director Certified Compliance & Ethics Professional (CCEP)
Certified Information Technology Professional (CITP)
Certified Internal Auditor (CIA)
Certified Fraud Examiner (CFE)
E-mail: peter.hughes@iad.ocgov.com

Eli Littner **CPA, CIA, CFE, CFS, CISA**
Deputy Director Certified Fraud Specialist (CFS)
Certified Information Systems Auditor (CISA)

Michael J. Goodwin **CPA, CIA**
Senior Audit Manager

Alan Marcum **MBA, CPA, CIA, CFE**
Senior Audit Manager

Autumn McKinney **CPA, CIA, CISA, CGFM**
Senior Audit Manager Certified Government Financial Manager (CGFM)

Hall of Finance & Records

12 Civic Center Plaza, Room 232
Santa Ana, CA 92701

Phone: (714) 834-5475

Fax: (714) 834-2880

To access and view audit reports or obtain additional information about the OC Internal Audit Department, visit our website: www.ocgov.com/audit



OC Fraud Hotline (714) 834-3608



Transmittal Letter



Report No. 2905-B July 2, 2010

TO: Honorable Board of Supervisors

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Review of Allegations made about the
Assessor and the Clerk of the Board
at May 18, 2010 Board of Supervisors'
Meeting

We have completed our review of the allegations made during the Board of Supervisors' meeting on May 28, 2010 against the Assessor and the Clerk of the Board. The final **OC Internal Auditor's Report** is attached.

We concluded that the three serious allegations reviewed are entirely without merit. The documentation and purported "evidence" provided by the Complainant fails in its entirety to support any of the allegations he made in his public comments on May 18, 2010. Additionally, the allegations we reviewed are moreover directly refuted by readily available evidence examined by us. Our investigation into this matter is considered closed.

Each month I submit an **Audit Status Report** to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this report will be included in a future status report to the BOS.

Attachments

Other recipients of this report listed on the **OC Internal Auditor's Report** on page 7.

Table of Contents



*Review of Allegations made about the
Assessor and the Clerk of the Board at
May 18, 2010 Board of Supervisors' Meeting*

Report No. 2905-B

Transmittal Letter	i
OC Internal Auditor's Report	
Scope of Investigation	1
Results	3
Overall Conclusion.....	7

OC Internal Auditor's Report



Report No. 2905-B

July 2, 2010

TO: Honorable Board of Supervisors

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

A handwritten signature in blue ink that reads "Peter Hughes".

SUBJECT: Review of Allegations made about the Assessor and the
Clerk of the Board at May 18, 2010 Board of Supervisors' Meeting

In response to allegations of wrong doing made during Public Comments period at the Board of Supervisors' meeting on May 18, 2010, the Internal Audit Department conducted and concluded its inquiry regarding three serious allegations made in the meeting by Mr. William Fitzgerald (Complainant), representing himself as a spokesperson for Anaheim Home Owners Maintaining Our Environment Association (HOME).

The Complainant made three serious allegations, captured verbatim in items No. 1, 2, and 3 below, of corruption against the County Assessor Webster Guillory, and allegations of mismanagement against both the County Assessor Webster Guillory and the Clerk of the Board Darlene Bloom. These are the issues we are reviewing:

1. "Years ago, our organization (HOME) was informed that Disneyland does not pay property taxes on their 93 million dollar parking structure."
2. "...we have been able to obtain evidence to indicate that the Assessor, Webster Guillory, is corrupt. He has allegedly undervalued many large commercial properties in exchange for political or personal favors, while his department has systematically overvalued the homes of many Orange County residents."
3. "...the Appeals Board is so mismanaged by County Clerk Darlene Bloom that thousands of "underwater" homeowners are being cheated by Webster Guillory and Darlene Bloom into paying unfair amounts of property taxes."

Scope of Investigation

We spoke with the Complainant by phone regarding his allegations. In the course of this discussion, the Complainant offered no corroborating oral "evidence" to detail its extent, timing, or source even though his accusations against the elected Assessor are serious. He also did not provide additional details regarding the balance of his allegations made to the Board at their May 18, 2010 meeting.



We requested he provide us with copies of the purported "evidence Anaheim HOME had obtained indicating that ...the Assessor Webster Guillory is corrupt." The Complainant stated he possessed such "evidence" during his statement made during Public Comments on May 18, 2010 (see issue No. 2 above). The Complainant explained that he is only the spokesperson for Anaheim HOME and that he did not individually develop the comments he presented at the Board meeting. Moreover, he stated to us he did not have possession of the "evidence" that formed the basis of the accusations he presented to the Board.

The Complainant suggested that Internal Audit meet with him at a place he designated, Varsity Burger, in Anaheim on Thursday, May 27, 2010 at 10:00 A.M. He asserted that he and other members of Anaheim HOME would be present at their regular weekly meeting held there. The Complainant assured us that he would provide us copies of the "evidence" Anaheim HOME had supporting the allegations he made at the Orange County Board of Supervisors' meeting.

This meeting was held with the Complainant as requested at Varsity Burger. We also met with two other individuals seemingly invited by the Complainant. He introduced one of them as a business writer for a newspaper and another as a member or supporter of Anaheim HOME and a current member on the OC Assessment Appeals Board. The purpose or reason that either attended this meeting was not stated.

After an historical discussion of Disneyland and the Park's influence and impact on Anaheim politics, the Complainant provided three sets of documents which he asserted represented Anaheim HOME's "evidence" to support the allegations against the County Assessor and the Clerk of the Board. A short description of the documents he provided follows:

Document No. 1 consisted of one page titled "Property Tax Assessments Summaries" highlighting Disneyland properties, Anaheim Stadium, and the Honda Center (materials readily available on the web to the general public);

Document Set No. 2 consisted of a number of print outs from the Orange County Treasurer Tax Collector's web pages on the above properties (material readily available on the web to the general public); and

Document Set No. 3 consisted of two pages related to the Tax Assessment Appeals Board's operation with various definitions on page 1, and on page two a Three Year Statistical Results of Applications submitted and processed.

We contacted the Assessor regarding the Complainant's allegations. We wanted to validate whether Anaheim HOME or the Complainant had previously contacted him regarding the issues of undervalued commercial properties either in general or the specifically identified properties at Disneyland, Anaheim Stadium, or the Honda Center.



The Assessor stated he was not contacted by Anaheim HOME regarding their purported inquiry into this issue, but offered to fully cooperate with our review efforts. Mr. Guillory stated that the Complainant's allegations did not have merit and subsequently provided us an extensive listing of Disneyland properties as evidence that all appropriate "taxes" had been assessed.

Additionally, the Assessor commented that it was hard to believe that Disneyland could surreptitiously build a large, \$93 million dollar parking structure and keep it hidden this long to avoid being taxed. His office provided to us specific documentation that the parking structure has been on the secured roll since its construction in 1995.

We again called the Complainant to ask him to provide us with the specific "evidence" he said Anaheim HOME obtained related to the allegation "...that the Assessor, Webster Guillory is corrupt..." We gave him the deadline of June 4, 2010 to submit any additional material. To date, no documentation has been received specific to this final request.

RESULTS

Based upon our interviews and examination of relevant documents, we concluded the following for each of the three allegations:

Allegation Number 1:

"Years ago, our organization (HOME) was informed that Disneyland does not pay property taxes on their 93 million dollar parking structure."

Auditor's Findings:

The documents submitted to us by the Complainant represented information readily available to the general public and easily obtained from the Orange County web pages. None of this public information supported the Complainant's allegations in any manner, and such materials clearly do not relate or constitute "evidence" supporting the Complainant's allegations.

We also sought to determine the status, nature or composition of the organization called Anaheim HOME which according to the Complainant was the source of both the allegations and the evidence to support the allegations. We learned that this organization had a more significant presence in Anaheim years ago and has diminished in size over the years as the community demographics have changed. Current membership is approximately 100 and a smaller sub-group meets regularly. The Complainant while not in control of Anaheim HOME has significant influence on this organization.

The Assessor provided us a parcel map and aerial photo to show the Disneyland parking structure has been clearly identified and was added to the secured roll upon completion of construction in 1995. We determined that the taxes due from Disneyland on the parking structure are current and that the 2009/2010 tax assessment has been paid.



Auditor's Conclusion:

We concluded that the Complainant failed to provide any supporting documentation or convincing basis for this allegation. Additionally, our own examination of relevant documents obtained from the Assessor's Office clearly and convincingly refute the Complainant's specific allegation regarding this untaxed parking structure. We received conclusive evidence that the Assessor had assessed the property in question and that Disneyland was properly paying property tax on its "93 million dollar parking structure."

Therefore, we consider Allegation Number 1 to be completely without merit and closed.

Allegation Number 2:

"...we have been able to obtain evidence to indicate that the Assessor, Webster Guillory, is corrupt. He has allegedly undervalued many large commercial properties in exchange for political or personal favors, while his department has systematically overvalued the homes of many Orange County residents."

Auditor's Findings:

The documents submitted to us by the Complainant represented information available to the general public and easily obtained from the Orange County web pages. None of this public information supported the Complainant's allegations in any manner and such materials clearly do not constitute "evidence" supporting the Complainant's claim of Assessor corruption. Specifically:

- a) The Complainant failed to identify a single instance of commercial property that was undervalued, or a single instance of residential property that was overvalued.
- b) The Complainant failed to provide a single name of anyone or of any business that exchanged political or personal favors to the Assessor for undervaluing a piece of commercial property.
- c) The Complainant failed to provide a single testimonial from an individual to support the allegation that the Assessor or anyone on his staff deliberately undervalued commercial property in "exchange for political or personal favors."
- d) The Complainant failed to provide any explanation, rational, or basis for his allegation that the Assessor's "department has systematically overvalued the homes of many Orange County residents."

Auditor's Conclusion:

We concluded that the Complainant failed to provide any supporting documentation or convincing basis for his allegations in direct contradiction to the public assertion of having obtained this "evidence."



Additionally, our own examination of relevant documents, our review of the two recent investigative reports by the Orange County District Attorney and the Orange County Executive Office, and our interviews with the Assessor and key staff members provided us with abundant, corroborating evidence that clearly and convincingly refuted the Complainant's allegation.

The District Attorney publicly released his report titled "An Inquiry Into Allegations Of Wrongdoing At The County Assessor's Office" in May 2010. The District Attorney conducted a unique and extensive investigation into allegations from another complainant that the County Assessor was not properly assessing possessory interest supplemental taxes.

In his report, the District Attorney concluded that "It cannot be fully determined through this inquiry to what extent the Orange County Assessor's Office has been unable to consistently identify and assess all supplemental possessory interests." and "...it does not appear to be the result of criminal conduct or a willful refusal to perform the duties of office" (page 25 of the report). More importantly, no current Assessor staff interviewed (even when offered both privacy and retaliation protection) had information that would support criminal charges against the Assessor or that supported allegations of criminal wrongdoing at the Assessor's Office (page 14 of the report).

Additionally, the County Executive Office also released its report titled "Review Of Reported Assessor's Office Issues With Findings & Recommendations" in May 2010. The investigator in this report interviewed 70 of the Assessor's staff to disclose common issues of concern. The report reported on five findings. Finding No. 1 related to the Complainant's allegation and concluded on page 2 of 12: "There does not appear to be any reason to be concerned that the County is consistently over or under valuing any given category of property, at least as far as the employees interviewed are concerned."

More importantly is that none of the staff interviewed reported any information that would support criminal charges against the Assessor or that supported allegations of criminal wrongdoing at the Assessor's Office.

Therefore, we consider Allegation Number 2 to be completely without merit and closed.



Allegation Number 3:

“...the Appeals Board is so mismanaged by County Clerk Darlene Bloom that thousands of “underwater” homeowners are being cheated by Webster Guillory and Darlene Bloom into paying unfair amounts of property taxes.”

Auditor's Findings:

The documents submitted to us by the Complainant represented information available to the general public. None of this public information supported the Complainant's allegations of mismanagement in any manner and such materials clearly do not constitute “evidence.”

Furthermore, neither Anaheim HOME and/or the Complainant identified a single homeowner's name or particular piece of property that they alleged the Assessor had overvalued, or cited a specific appeal, situation of any kind, or complaint from a single homeowner that could be investigated or pursued by us.

Moreover, the Orange County Assessment Appeals Board is established by Revenue and Taxation Code Sections (RTC) 1620-1630 which vests the authority to appoint an independent board of Assessment Appeals with the Board of Supervisors and not with the Assessor or the Clerk of the Board. The RTC requires that persons appointed have at least five years experience as either: a CPA, a lawyer, a Real Estate Broker, or Certified Appraiser to serve three year terms and hear and adjudicate appeals. The professionals so appointed are paid \$125 per half day or \$250 per full day of service. The typical County volume of appeals is between 15,000 and 20,000 per year. The Clerk of the Board provides administrative support for this process and provides the County's adopted 32 page “Rule of Procedures” describing this complex process available on its web page to assist taxpayers in their appeals process.

Our review disclosed that neither the Assessor nor Clerk of the Board actually appoint, direct, oversee, overrule or serve on the Assessment Appeals Board. Thus they are not in a position of authority to either manage or mismanage the board or its decisions.

Auditor's Conclusion:

We conclude that the Complainant failed to provide any supporting documentation or convincing basis for his allegations. Additionally, an examination of the RTC clearly and convincingly refute the Complainant's allegation that the Clerk of the Board or the County Assessor are in a position to mismanage the Appeals Board.

Therefore, we consider Allegation Number 3 to be completely without merit and closed.



OVERALL CONCLUSION:

We conclude that the three serious allegations we reviewed are entirely without merit. The documentation or purported "evidence" provided by the Complainant fails in its entirety to support any of the three allegations he made in his public comments on May 18, 2010. Additionally, the allegations are directly refuted by readily available evidence provided to us by the County Assessor, the Clerk of the Board, the referenced issued reports, and other readily available materials we used in our review. Our investigation into this matter is considered closed.

cc: Webster Guillory, County Assessor
Darlene J. Bloom, Clerk of the Board of Supervisors
Thomas G. Mauk, County Executive Officer
Members, Audit Oversight Committee
Nicholas Chrisos, County Counsel
Foreperson, Grand Jury