



NEWS RELEASE

CALIFORNIA SECRETARY OF STATE **BRUCE McPHERSON**

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FOR IMMEDIATE RELEASE
Friday, October 27, 2006

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Secretary of State Bruce McPherson Calls on State Controller to Recover Funds Misspent by Kevin Shelley

Request Made After Attorney General Cites Conflict and Recommends Controller Steve Westly as Appropriate Authority to Take Legal Action on Behalf of California Taxpayers

SACRAMENTO, CA - Secretary of State Bruce McPherson sent a letter to State Controller Steve Westly today asking that he take swift legal action on behalf of California taxpayers in his capacity as Controller of California to recover taxpayer dollars misused by former Secretary of State Kevin Shelley.

Previously, Secretary McPherson requested that California's Attorney General, Bill Lockyer, take immediate legal action to recover the misused funds. However, the Attorney General informed the Secretary of State that due to a conflict of interest because he represented Mr. Shelley earlier, he cannot undertake any action against Mr. Shelley. In the same letter, Attorney General Lockyer recommended that as the State's Controller, Steve Westly is the appropriate person to take legal action against Kevin Shelley.

"I am hopeful that Mr. Westly will take immediate action on behalf of California's taxpayers," Secretary McPherson said. "It is wholly unacceptable to expect hardworking Californians to pay for the misdeeds and personal ambitions of Kevin Shelley. As California's State Controller, I am confident that Mr. Westly will do the right thing and bring immediate action against Kevin Shelley. I look forward to hearing from him soon."

On October 16, 2006 the federal Election Assistance Commission (EAC) released its final audit findings of the mismanagement of Help America Vote Act (HAVA) funds by Mr. Shelley. The EAC informed the Secretary of State's office that California is required to pay back \$2,917,583 in general fund dollars. This is money that was misspent by Mr. Shelley according to the EAC's review.

Upon receiving the report, Secretary McPherson requested that the Attorney General undertake immediate legal action to recover the taxpayer dollars that are lost to California because of the EAC's final findings. In addition, Secretary McPherson strongly urged both Senator Debra Bowen and Assemblyman Tom Umberg as the chairs of Senate and Assembly Elections Committees to join in the request to the Attorney General for legal action to recover California taxpayer dollars. To date, there has been no response from Ms. Bowen or Mr. Umberg.

See letter to State Controller Steve Westly below.

Link to October 16th press release and letter to Attorney General Lockyer:
http://www.ss.ca.gov/executive/press_releases/2006/06_151.pdf.

Link to letter to Senate Elections Chair Debra Bowen and Assembly Elections Chair Tom Umberg: http://www.ss.ca.gov/executive/press_releases/2006/06_153.pdf.

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October 27, 2006

BY HAND DELIVERY AND U.S. MAIL

The Honorable Steve Westly
Controller
State of California
300 Capitol Mall, 18th Floor
Sacramento, CA 95814

Dear Mr. Westly:

I am writing to request that you bring swift legal action in your capacity as Controller of California to recover general fund dollars misused by former Secretary of State Kevin Shelley.

As you may be aware, on October 16, 2006 the federal Election Assistance Commission (EAC) released its final audit finding of the mismanagement of Help America Vote Act (HAVA) funds by Mr. Shelley. The EAC has informed my office that California is required to pay back \$2,917,583 in general fund dollars. This is money that was misspent by Mr. Shelley according to the EAC's review.

You are also probably aware that the Bureau of State Audits in its audit found numerous similar failures of documentation, disregard of oversight controls, and abuses of HAVA funds by Mr. Shelley.

I requested that the Attorney General undertake immediate legal action to recover the taxpayer dollars that are lost to California because of the EAC's final findings of Mr. Shelley's mismanagement. In addition, I strongly urged both Senator Debra Bowen and Assemblymember Tom Umberg, as the chairs of the Senate and the Assembly Elections Committees, to join in my request to the Attorney General for legal action to recover California taxpayer dollars.

The Attorney General informed me that due to a conflict of interest because he represented Mr. Shelley earlier, he cannot undertake any action against Mr. Shelley. To date, I have received no response from either Senator Bowen or Mr. Umberg.

The Attorney General indicated that you, as California's Controller, are responsible for recovering funds due the state and that you would therefore be the appropriate officer to bring legal action against Mr. Shelley. I strongly urge you to do so.

The Honorable Steve Westly
October 27, 2006
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I am enclosing my letter of October 16, 2006 to the Attorney General, his response, the EAC final audit, and the BSA audit and other pertinent documents for your review.

Please contact me directly if I can be of assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce McPherson". The signature is written in a cursive style with a large, prominent initial "B".

BRUCE MCPHERSON

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