

## GUEST COMMENTARY: MINDING THE STORE FOR CALIFORNIA

**By State Controller Betty T. Yee**



Here's one thing that most of us can agree on, regardless of where we sit on the political spectrum: government should use tax dollars with the highest degree of transparency and accountability.

As the state's chief fiscal officer, one of my core duties is to review the finances of local governments to assure that public money is being properly used and accounted for.

Since I took office in 2015, my auditing team has examined cities that were failing to meet these standards. These cities have already taken steps to shore up their fiscal houses, and I applaud their willingness to change.

The most important step to prevent these kinds of shortcomings is encouraging city officials and the constituents they serve to educate themselves about how to do it right. To that end, last year I published online guidelines to safeguard assets and prevent financial errors and fraud. In addition, my auditing team offers expertise through webinars and other training. I encourage citizens to also acquaint themselves with these principles.

Our audits are also instructive in showing where cities can get off track. Each city is unique; however, I have observed certain recurring themes.

One is a lack of internal accounting controls. In three reviews over the past year, my team has found such serious deficiencies that these controls can be characterized as non-existent. These are items such as having a proper employee code of conduct and enforcing it, maintaining an active audit committee, and making sure assets are safeguarded from unauthorized access or use. My auditors check for 79 internal controls. One city we reviewed adhered to only 12 of them. Another complied with seven. And the third followed only four.

The three cities failed to take basic steps such as documenting where the money went. One paid \$12.3 million to a vendor despite invoices that consistently lacked detailed descriptions of the services provided. Some of the work may have been outside the scope of the contract. Another city could not produce invoices, including purchases from a construction company totaling more than \$1 million.

Another problem was failure to adhere to competitive bidding requirements. One city bought equipment or let contracts for public works without competitive bidding, arguing that the vendor was the only source, yet failed to provide documentation supporting this claim. This same city approved engineering projects with "job cards" rather than open bidding. Another city extended a waste management contract until 2037 without competitive bidding in return for a promise that the contractor would contribute to the city's Fourth of July celebration and concert series.

Controlling the use of government-issued credit cards has also been an issue. One former city manager charged travel expenses of \$4,636 on one day in 2012, including such questionable items as \$253 for alcoholic beverages and \$661 for massage services.

Other problems included:

- Conflicts of interest
- Failure to segregate staff duties to assure that one employee cannot both authorize spending and process related paperwork
- Inadequate City Council oversight of payments
- Lack of timely bank reconciliations

My auditing team does excellent work, but in the end we rely on savvy citizen watchdogs to alert us to situations that do not look right. Together, we can assure that California gets the most from its tax dollars.