



For Immediate Release

City of South El Monte

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State Controller's Office Releases Audit Report

The State Controller's Office (SCO) released a Review Report regarding the City's Administrative and Internal Accounting Controls for the period of July 1, 2013 through June 30, 2015. The detailed report outlines a series of recommendations intended to further strengthen the City's ongoing effort to rebuild and reform its administrative processes and internal accounting controls. It is important to emphasize that the State Auditor reviewed the City's practices during a period over two years ago--July 2013 - June 2015. Over the last two years, the City Council and staff have already taken a number of corrective measures to resolve most, if not all of the deficiencies identified in the audit. As acknowledged by the SCO in the audit, "... the city should be commended for taking these matters seriously and being proactive in resolving the noted deficiencies. We would like to express our thanks to the city staff and management, who were helpful throughout the review process."

As background, the City has been working to strengthen its administrative processes and internal accounting controls since December of 2015 after the release of a letter by its auditors, Van Lant & Fankhanel in September 2015. Soon thereafter, the City Council hired a Forensic Auditor (Singerlewak LLC) to further address Van Lant & Fankhanel's concerns. This report can be found under the heading of "Transparency" on the City's website (www.cityofsouthelmonte.org)

As noted above the City has been and is currently in the process of developing further corrective actions and implementing the SCO's recommendations.

Responses to SCO "most significant findings:"

- The City has formulated procedures and policies for the use of city-issued credit cards and business-related travel. The City is reviewing its comprehensive travel policy adopted in response to AB1234; a policy that was first adopted in 2006. It set limits on travel rates,

lodging and other expenses and was amended in 2008 and 2010. Also pursuant to the SCO recommendation the City is in the process of reviewing past travel and meal expenses to determine whether any refunds should be sought.

- In December 2015 the City's Purchasing Ordinance was updated; it established the maximum amount the city manager may spend for supplies, equipment and services. Formal competitive bidding procedures are required for any purchases exceeding the City Manager's authority.
- The City has upgraded its accounting software to assist with monitoring contracts to ensure the City is not paying vendors more than the approved not-to-exceed amounts. Additionally, the City Clerk's office is now using software designed to track all contracts, including employment contracts, to monitor contract expiration dates.
- The City Council adopted finance policies in March 2016 that specifically addresses the finding that the City practiced lax contract oversight prior to 2015. As noted above, the City now has software to monitor contracts. In addition, the City's purchasing manual requires that the City Attorney prepare all contracts over \$2,500.
- The City has received payment from one of the cities that had not paid its share for lobbying efforts related to the Metro Goldline Eastside Extension Coalition and is exploring options for collecting from the other city.
- The City received payments from another city who joined the Metro Goldline Eastside Extension Coalition after the Coalition was formed and it agreed to pay its proportionate share for services rendered on behalf of the Coalition.
- The City has recently received a report at a City Council meeting from Metro regarding the status of the City's preferred Metro Line route and the Metro Board has recently taken action to reinstate the environmental process for the City's preferred route and the Washington Boulevard option.

The City is currently considering the SCO comments found in the report's Appendix to determine whether each of the comments have already been addressed and whether any of them need additional corrective measures. The City will continue its efforts to rebuild and reform its administrative processes and internal accounting controls.

To read the full audit, please visit www.cityofsouthelmonte.org

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