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Controller, Legislators Unveil Package of Bills to Improve Oversight of Local Finances

SACRAMENTO – State Controller John Chiang and legislative authors today unveiled a package of bills he is sponsoring to provide greater financial oversight of and assistance to cities, counties and special districts.

“These bills will help ensure that local communities and agencies have the assistance they need from the State to keep their communities fiscally healthy, and that the State has the authority to step in to identify and prevent problems,” Chiang said. “The City of Bell has been a vivid illustration of the devastation that can occur when there is little accountability over how local dollars are spent in our communities. It is time for the State to have a role in making sure sound fiscal management is being practiced at the local level so that all public dollars are protected.”

While the State Controller’s Office can audit local agencies over their handling of state and federal funds, and when there are problems seen in financial reports filed with the Controller, there is no authority to audit local taxes, bonds or other funds. SB 186 by joint authors Sen. Christine Kehoe (D-San Diego) and Sen. Mark DeSaulnier (D-Concord) would expand the Controller’s authority to perform discretionary audits to ensure compliance with local ordinances and state law.

“[SB 186](#) will help prevent public corruption and fraud by providing greater public oversight of government funds,” said Kehoe. “The public deserves to have confidence in their local governments and know that public officials are acting ethically and legally. This bill will do that.”

Added DeSaulnier, “Recent local government improprieties and irregularities demonstrate the need for increased oversight. As we look to realign services to bring them closer to home, it is important that those local agencies be accountable and are periodically reviewed. The State Controller is best situated to conduct that review and this legislation will provide much needed sunshine.”

A bill by Sen. Fran Pavley, D-Santa Monica, will authorize the State Controller to conduct an audit of a local agency facing serious financial stress and would assemble a committee of fiscal experts to provide advice and assistance to local agencies in need.

“The state should not wait until a local entity is at risk of complete financial failure before lending assistance,” Pavley said. “This bill will help prevent problems at the local level, and allow the State to step in with a variety of resources to keep the agency solvent.”

[AB 229](#) by Assembly Member Ricardo Lara (D-Southgate) would increase the number of quality control reviews the Controller can perform of independent, private auditors hired by local governments to prepare their annual audits.

“Private firms hired by the local agency to perform their annual audits must adhere to strong accounting procedures and act independently of the entity that is paying their bill,” Lara said. “AB 229 will overhaul our system of auditing California’s cities and counties to ensure that every dollar is accounted for and every agency is held to a higher standard of accountability.”

Most local government agencies are required to file financial transaction reports with the Controller. But with relatively small penalties, some refuse to file, or file late, resulting in little, or late, financial oversight by the State. [AB 276](#) by Assembly Member Luis A. Alejo, D-Salinas, would double the penalties, and triple them in serious cases, and require the Controller to audit the agency if it fails to file a report for three consecutive years.

“These reports provide insight into a local agency’s financial health in order to identify any mismanagement,” Alejo said. “Agencies that habitually fail to comply would face stronger consequences.”

Under current law, the Controller’s Office is required to prescribe uniform accounting and reporting procedures to counties and special districts. [AB 253](#) by Assembly Member Cameron Smyth, R-Santa Clarita, would expand that requirement to include cities. It also would create a committee made up of city officials and finance officers to assist in developing the guidelines.

“Required guidelines will help all cities manage and report their finances in a uniform manner,” Smyth said. “This bill will increase the level of accountability and professionalism of the financial reports filed by cities.”

“This bi-partisan legislative package shows that we all share the goal of improving California’s fiscal health at all levels of government,” Controller Chiang said. “I thank the Senators and Assembly Members for their leadership in this effort.”

