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**Contact: Hallye Jordan**  
**916-445-2636**

## **Controller Chiang's Audits Reveal More Failures in Bell's Redevelopment and Gas Tax Funds**

**SACRAMENTO** – State Controller John Chiang today released audits of the City of Bell's Redevelopment Agency and Gas Tax Funds, finding at least \$1.2 million in inappropriate payments and management failures. This follows a [September report](#) from the Controller showing the city's inadequate financial controls, inappropriate payroll, illegally-raised taxes, mismanaged bond funds, questionable contracts and land purchases.

"These audit revelations bring us one step closer to a full and complete accounting of what went wrong in the City of Bell," said Chiang. "Public money dedicated to increasing affordable housing and maintaining local roads were instead used as a self-indulgent slush fund to pay for excessive salaries, perks, and other unlawful expenses."

The Controller's audits found that the City of Bell had inappropriately charged payroll and expenses to two of the funds controlled by its Redevelopment Agency, and made thousands of dollars of unallowable payments to contractors from the city's transportation funds.

The City of Bell's Low and Moderate Income Housing Fund, which is to be used only to increase the local supply of affordable housing, was instead used to pay for city cell phones, car washes and car batteries, landscaping, and uniforms. The audit also found that \$244,850 in salaries, vacation, retirement contributions, holiday time, and other compensation was inappropriately charged to the fund without any approval from the agency's governing board. Of the amounts charged, \$66,100 went to former Chief Administrative Officer (CAO) Robert Rizzo, and \$24,856 went to the Director of Administrative Services (DAS) Lourdes Garcia. The city could not provide any evidence that either person's work activities were specifically related to the housing fund.

A separate redevelopment account, the Capitol Projects Fund, was also inappropriately charged \$242,268 for labor. The former CAO was paid \$171,444, the DAS was paid \$38,117, and former Assistant CAO Angela Spaccia was paid \$27,066 from the fund. Once again, these payments were made without any evidence that any work activity was related to the fund.

Members of the Bell City Council also served on the Redevelopment Agency's governing board, and were authorized to charge \$60 a month for serving on the agency's board. The Controller's audit revealed, however, that the members were receiving \$55.38 every two weeks, instead of the maximum \$60 a month. In addition, two former board members received a stipend of \$27.69 every two weeks even though they were no longer members of the board. The audit revealed that the agency's governing board rarely met, and when Bell City Council members did convene as the agency's governing board, the majority of those meetings lasted for three minutes or less.

The Redevelopment Agency also was cited for repeatedly failing to comply with the State's Health and Safety codes. The agency did not correctly adopt an annual budget, compile annual reports, properly set aside housing funds, or prepare five-year implementation plans. The agency also overstated its outstanding debt in financial reports.

A separate audit of the city's Gas Tax Fund and Traffic Congestion Relief Fund disclosed a number of inappropriate expenditures. An earlier report from the Controller found the city had paid the consulting firm D&J Engineering – which, at the time, was owned by the city's Director of Planning Services, Dennis Tarango – \$10.4 million without a written contract. This audit found the city also inappropriately paid the firm \$301,810 from the Gas Tax Fund during the past three years, and without a contract for services.

The Controller found several other unallowable payments made to contractors from the Gas Tax Fund, including:

- 1 \$129,600 in overpayments for general maintenance services on public streets
- 1 \$76,992 for street sweeping services without a written contract
- 1 \$7,806 for painting house numbers on curbs, a benefit to property owners, not the public
- 1 \$4,878 in overpayments to an asphalt contractor

Like the Redevelopment Agency and the City of Bell itself, the Controller's audits found the city's Gas Tax Funds had significant internal control deficiencies and weaknesses. Payment invoices lacked detail, payments were made without matching purchase orders or supporting documentation, and purchasing guidelines were not followed consistently.

The Controller has ordered the City of Bell to fully reimburse \$521,086 to Bell's Gas Tax Fund, or the Controller may withhold future state highway user's tax apportionments from the city.

Since taking office in January 2007, Controller Chiang has identified \$2.4 billion in waste, abuse, and misspending of taxpayer dollars.

Complete copies of the [Redevelopment Agency](#) and [Gas Tax Fund](#) audits can be found on the Controller's website at [www.sco.ca.gov](http://www.sco.ca.gov).

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