



Betty T. Yee

California State Controller

300 Capitol Mall
Sacramento, CA 95814
www.sco.ca.gov

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Contact: GARIN CASALEGGIO
916-445-2636

California State Controller Betty T. Yee Applauds Governor's Budget Proposal for Strengthening Financial Reporting and Fiscal Management

SACRAMENTO – State Controller Betty T. Yee today acknowledged and thanked Governor Jerry Brown for including funding in his proposed January budget to enhance some of the most important functions of the Controller's Office. This funding will save taxpayer dollars and guard against its misuse, as well as revive a program in January 2017 that keeps seniors in their homes by deferring property taxes.

"I am grateful for the funding contained in the Governor's proposed budget that will enhance the ability of my office to uncover problems, bring solutions, and protect taxpayer dollars," Controller Yee said.

These important functions of the Controller's Office include:

State Government Reporting

Last year, the Bureau of State Audits released a report on the preparation of the State's Comprehensive Annual Financial Report (CAFR) by the Controller's Office, noting that more needed to be done to prevent and detect errors that – if uncorrected – would have caused material misstatements. The report cited contributing factors, including turnover rates of 30 percent for staff, 75 percent for middle managers, and 100 percent for top supervisors over the past four years.

While the final CAFR was error-free, the Controller acknowledges needing better review processes, more training, and more people to keep up with new accounting standards so errors are caught and the report is issued earlier.

"Timeliness of the CAFR matters to the financial community," Yee said. "To fix this problem with financial reporting, I requested additional funding and permanent staff. I am thankful the Governor said yes."

Payroll Audits

Prior Controller's Office audits of the Department of Parks and Recreation verified that employees keyed into their payroll system for unauthorized leave buy-backs and extra pay.

"It is clear that stronger internal controls are needed to guard against the risk of abuse, fraud and overpayments," Yee said. "With a decentralized payroll system, the potential for fraud exists at other departments, and my office's audits can help uncover these problems and recover these dollars. I laud the Governor for including additional resources in his proposed budget to mitigate such risk."

After just eight audits, Controller's Office auditors found more than \$1.4 million in questionable costs at departments related to poor payroll controls and processes. Yee estimates an additional \$2.9 million in future cost savings if the Controller's Office continues payroll audits.

Property Tax Postponement

The State Controller's Property Tax Postponement program began in 1977 and ended in 2009 when the Legislature indefinitely suspended the program. The program helped thousands of low-income senior and disabled homeowners each year by allowing them to defer paying all or part of their property taxes through low interest loans. The Governor reinstated this program, starting in January 2017.

"Thanks to the Governor's proposed budget, we'll be able to get this program ready to accept applications in September 2016 from eligible property owners," Yee said.

The former annual program had charged a low, simple interest rate on the postponed taxes. To secure the postponed amount, the State Controller's Office recorded a lien against the property. Repayment of the postponed taxes and interest was not due until the homeowner moved from the qualified property; the homeowner sold the home; the homeowner died and did not have a spouse, domestic partner or other qualified individual who continued to reside in the home; or future property taxes or other senior liens (such as a mortgage) became delinquent. However, the homeowner was free to pay off all or part of the balance before it became due.

To qualify for the former program, homeowners must have been 62 or older, blind, or disabled, and had lived in the home since December 31 of the last year of the program, had at least 20 percent equity in the home, and had a household income of less than \$35,500.

Assembly Bill 2231 (Chapter 703, Statutes of 2014), sponsored by the California Association of County Treasurers and Tax Collectors and authored by Assembly Member Richard Gordon (D-Menlo Park) was signed by the Governor in September to reinstate the Property Tax Postponement Program. The reinstated program includes improvements such as: stabilizing the interest at seven percent; capping income at \$35,500 (tied previously to inflation); eliminating participation for mobile and floating homes (for their depreciating value); increasing the equity threshold from 20 to 40 percent; and requiring county tax collector or assessor notification to the State Controller within 60 days of change in ownership, tax default, or claimant death.

The enactment of AB 2231 in 2014 was significant, as 2014 marked five years since the cancellation of the program. Under the program, at the five-year mark, counties can foreclose on the property via tax-defaulted land sales. Counties were concerned that they would be pushing a lot of senior and disabled citizens out of their homes who could have otherwise participated in the program over the last several years. The counties agreed to add a provision to AB 2231 allowing the county to postpone the sale and even waive some of the penalties, fees, and interest associated with these properties.

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