



# Betty T. Yee

## California State Controller

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### CA Controller Finds Serious Deficiencies in West Covina Administration Cost Millions

**SACRAMENTO**—State Controller Betty T. Yee today announced the results of a detailed review of the City of West Covina's administrative and internal accounting controls, finding serious and pervasive deficiencies. Of 79 control components evaluated, West Covina was found to be adequate in just seven.

These deficiencies led city officials to violate California Public Contract Code section 20163, which could constitute a misdemeanor had the statute of limitations not expired.

"It makes no sense that the statute of limitations for violating state and local contracting laws is one year from when the money is spent," said Controller Yee, the state's chief fiscal officer. "I urge the legislature to consider a statutory change if we expect to ferret out fraud and prevent willful abuses of state law and taxpayer dollars."

Among the State Controller's most significant findings:

- 1 The city awarded or extended large contracts without competitive bidding, including a waste management contract extended to 2037 in return for a promise that the contractor would contribute funds each year for the city's Fourth of July celebration and summer concert series.
- 1 West Covina settled a breach of contract lawsuit for \$900,000 after a real estate deal fell through due to the city's failure to comply with applicable laws and regulations. The city also paid \$145,000 in legal fees to the West Covina Improvement Association, which challenged the deal's legality.
- 1 After winning a discrimination and hostile work environment lawsuit, West Covina waived its costs in the amount of \$83,000 and failed to pursue recovery of more than \$900,000 in attorney fees. The State Controller's review concluded the city failed in its responsibility to protect taxpayer dollars.
- 1 Invoices for \$457,015 in legal fees did not detail the work performed or show payment authorization.
- 1 An employee who retired voluntarily received a lump sum severance of \$55,000 which was not payment for accrued leave. The Controller's review found this constituted a gift of public funds. West Covina contends it is payment for a City Council-approved legal settlement.

The Controller's team also found delayed bank reconciliations, inadequate control of the use of city-issued credit cards, questionable hiring practices, and inadequate back-up staffing at critical positions. The complete report of the Controller's staff review on internal controls is available [here](#).

In its responses, West Covina – which asked the Controller to have her team review its finances – agreed with most of the Controller's findings, attributing most problems to limited staffing or previous department heads. On the issue of legal fees, West Covina responded that detailed invoices were secured by the City Manager due to confidential information they contained, but evidence was not provided to the Controller's team.

A separate audit by the State Controller's team determined that the City of West Covina must return \$270,255 to the Special Gas Tax Street Improvement Fund to cover ineligible and unsupported overhead costs, prior period deficit spending, and transfers in excess of actual street improvement expenditures. That audit report is available [here](#).

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