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CA Controller Finds Brazen Overspending, Lack of Accounting Controls in City of Compton

SACRAMENTO — The City of Compton has a General Fund deficit caused in large part by reckless overspending, pervasive internal control deficiencies, and a lack of city council oversight, according to a [review](#) published today by California State Controller Betty T. Yee. Of the 79 measures of internal accounting and administrative controls reviewed by Controller Yee's audit team, Compton was found deficient in 71—almost 90 percent.

At the start of Fiscal Year 2007-08, the City of Compton had a General Fund surplus of \$22.4 million. Three years later, the surplus had become a \$42.7 million deficit due to overspending at an average of \$16.3 million a year above budgeted expenditures. In June 2014, the Compton City Council adopted a repayment plan, but over the next year the General Fund deficit increased by another \$6.4 million.

Compton's City Council expenditures are three times those of comparable charter cities in Los Angeles County. Where other small cities have one full-time assistant for an entire city council, Compton has one for each of its five council members. Total compensation for the mayor and city council members themselves exceeded limits in Compton's city charter by nearly \$1.3 million from January 2010 through July 2017. The review also found that all charges to city-issued credit cards were questionable, because city management did not enforce its policies and procedures.

"While violating the city's charter and continually overpaying themselves, the city council's brazen overspending contributed to the city's financial hardship. Clearly, the city council needs to right the ship and make deficit spending a part of its past by exercising meaningful oversight of the city's duties," said Controller Yee, the state's chief fiscal officer.

Material weakness in internal controls—such as a lack of segregation of cash-handling duties—allowed a former deputy treasurer to embezzle more than \$3.7 million from May 2010 through December 2016, for which he received a federal prison sentence of six and a half years.

Auditors also found that staff turnover and a lack of consistent leadership prevent employees from performing some critical functions. The city has had nine different city managers in seven years and has been without a human resources director for three years.

The city controller's office has seven vacancies, leading to delays in financial records and reporting. Compton's failure to file a financial transaction report (FTR) with the State Controller in FY 2015-16 raised red flags that triggered this review. The city's FTRs were submitted after the state deadline in FY 2012-13 and FY 2013-14, and its Government Compensation Report was filed late in calendar years 2013 through 2015. The city's single audit report was never filed in FY 2013-14 through FY 2015-16.

The city documented many corrective actions it has taken or plans to take in response to the Controller's review, available [here](#). Since January 2015, Controller Yee and her audit team have identified more than \$3.9 billion in misuse, waste, and fraud involving public funds. The State Controller's audits and reviews of local governments can be accessed [here](#).

As the chief fiscal officer of California, Controller Yee is responsible for accountability and disbursement of the state's financial resources. The Controller also safeguards many types of property until claimed by the rightful owners, and has independent auditing authority over government agencies that spend state funds. She is a member of numerous financing authorities, and fiscal and financial oversight entities including the Franchise Tax Board. She also serves on the boards for the nation's two largest public pension funds. Elected in 2014, Controller Yee is the tenth woman elected to a statewide office in California's history. Follow the Controller on Twitter at [@CAController](#) and on Facebook at [California State Controller's Office](#).

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