



PR19:3
For Immediate Release
1/23/2019

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Lack of Oversight Continues to Plague City of Industry

SACRAMENTO — State Controller Betty T. Yee today published her audit team’s follow-up review of the City of Industry’s internal control system, three years after her auditors found the city’s accounting controls “effectively non-existent.” In January 2016, the State Controller’s Office (SCO) issued a [report](#) on the City of Industry’s practices during the period from July 2012 through June 2014 which found the vast majority of internal controls were inadequate. The [report](#) released today evaluated the city’s reform efforts based on the 2016 report recommendations, as well as internal controls in place from January 2016 through April 2018.

For the follow-up review, SCO auditors found the city continues to operate without sufficient internal controls. Among the findings:

- 1 Insufficient city oversight of the Industry Hills Expo Center has led to annual losses averaging \$1.5 million. SCO auditors were not permitted to speak with city contractors charged with managing the Expo Center. Auditors were unable to verify that any Expo Center expenses were for official business including \$480,000 in ATM withdrawals and more than 100 unaccounted-for checks.
- 1 The Industry Property and Housing Management Authority (IPHMA) has no clear objective or strategic plan, fills vacancies without advertising or justification, and rents homes for below-market rates of \$600 to \$700 per month to current and former city councilmembers. The estimate to remodel one councilmember’s rental home was \$175,000, while the actual cost of the project ballooned to \$788,000. As a result, IPHMA operated at a loss of \$398,000 annually on average.
- 1 Only one principal payment of \$400,000 (in 2008) and one interest payment of \$100,000 (in 2009) have been paid to the city on a \$20 million loan made in December 1990 to Industry Convalescent Hospital. The loan balance stands at \$44.6 million, including \$24.6 million in accrued interest with no plan for repayment.

Controller Yee’s team found that, of eight prior findings from the 2016 review, the City of Industry fully implemented three recommendations and took no action on two. On the other three 2016 findings, SCO only could determine that some incremental change had been made because the city did not provide the needed supporting documentation, despite repeated requests.

“The City of Industry’s unwillingness to admit certain failures and to provide documentation to prove proper use of public dollars is deeply disturbing,” said Controller Yee, the state’s chief fiscal officer. “My experienced team of auditors aims to give state and local governments the framework they need to be trustworthy stewards to the people they serve, but those entities also need to put in the hard work to make necessary improvements.”

The City of Industry, in the San Gabriel Valley of Los Angeles County, is home to less than 300 residents and more than 2,500 businesses.

As the chief fiscal officer of California, Controller Yee is responsible for accountability and disbursement of the state’s financial resources. The Controller 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 and reelected in 2018, Controller Yee is the tenth woman elected to a statewide office in California’s history. Follow the Controller on Twitter at [@CACController](#) and on Facebook at [California State Controller’s Office](#).

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