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CA Controller Finds Fundamental Lack of Oversight in City of Calexico

SACRAMENTO — State Controller Betty T. Yee today published a report of her audit team’s review of the internal control system in Calexico, a city of 38,000 in southern Imperial County. Of the 48 control attributes evaluated for the period of July 1, 2015, through June 30, 2017, Yee’s auditors found that 37 were inadequate.

“Within a two-year span, city management allowed a \$4.1 million surplus to become a \$4.0 million deficit,” said Controller Yee. “Clearly, Calexico’s financial controls need improvement.”

Among the auditors’ findings:

- 1 The city engaged in significant deficit spending in FY 2014-15 and 2015-16 with expenditures exceeding revenues by more than \$8.1 million. Budget-to-actual reviews were never performed, budget amounts were inaccurate, and timely financial reports were not produced, in violation of several municipal codes.
- 1 Calexico did not exercise sufficient oversight of its cash flows and credit card usage, lacking internal controls such as prompt bank reconciliations and segregation of duties. For example, one employee had access to the city’s cash and the key to the city vault; the ability to record and approve journal entries; and access to city bank accounts, in addition to serving as the main contact for the armored car delivery service. Further, the city did not have adequately trained back-up staff for critical functions and did not conduct performance evaluations.
- 1 The California Department of Housing and Community Development (HCD) froze Calexico’s housing grants and the city temporarily lost its opportunity to apply for future HCD grants.
- 1 The city initiated a public works utility project to upgrade water meters for \$4.8 million without a formal contract. City management circumvented policies and procedures when they approved \$736,238 in change orders without city council approval.

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 \$4.25 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 and reelected in 2018, Controller Yee is only 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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