



LOS ANGELES COUNTY DISTRICT ATTORNEY'S OFFICE

SACRAMENTO LEGISLATIVE OFFICE

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June 28, 2023

The Honorable Chris Holden
Assembly Appropriations Committee, Chair
1021 O Street, Suite 8220
Sacramento, CA 95814

SENATE BILL 769 (GONZALEZ) SUPPORT Assembly Appropriations Committee

Dear Assembly Member Holden:

The Los Angeles County District Attorney's Office is pleased to support Senate Bill 769 (Gonzalez).

SB 769 requires all local agency officials to participate in at least two hours of fiscal and financial training every two years if that local agency provides any compensation, salary, stipend, or reimbursement for actual and necessary expenses to the members of its legislative body.

Local elected officials are responsible for fiscal management of the jurisdictions they oversee. These responsibilities include budget creation and monitoring, financial reporting and accounting, capital financing and debt management, and purchasing and contracting practices. However, there is no existing requirement that these elected leaders receive training relevant to these critical and expansive fiscal and financial responsibilities.

Under existing law, members of local agencies' legislative bodies are required to participate in ethics training (but not fiscal and financial responsibilities) if those agencies offer compensation or expense reimbursement to their board members.

In response to criminal convictions stemming from the misappropriation of public funds in the City of Bell, the State Auditor was granted the authority to establish a high-risk local agency audit program to identify, audit, and issue reports, on local agencies the Auditor identifies as being high-risk for the potential of waste, fraud, abuse, mismanagement, or that the Auditor has identified as having major challenges with its economy, efficiency, or effectiveness. For high-risk local agencies, the Auditor must issue audit reports once every three years with recommendations for improvement.

For example, the Auditor first issued a report on the City of Maywood in Los Angeles County in 2016, where it identified a multitude of concerns regarding the city's financial practices, including:

- Inadequate oversight of city operations;

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- Lack of transparency;
- Ongoing deficits;
- Deficient budgeting process;
- Failure to maximize revenue;
- Poor contract administration; and
- Inadequate accounting controls.

After a 2019 update to its initial audit revealed some progress toward implementing a corrective action plan, the Auditor removed its high-risk designation for the City of Maywood in December 2022. The 2022 report highlighted Maywood's progress implementing its corrective action plan, including:

- Improving its process for hiring and overseeing key management positions;
- Establishing a comprehensive hiring policy;
- Evaluating the performance of its city manager;
- Ceasing incurring ongoing deficits;
- Improving budget policies; and
- Establishing key internal financial controls.

While Maywood has taken steps to respond to the Auditor's reports, other cities have not. For example, despite undergoing a similar audit process, the Auditor continues to designate Richmond, a city in Alameda County, as high-risk due to various factors, such as high pension costs and an ongoing deficit forecast.

The Auditor's high-risk local program has found repeated instances of local officials financially mismanaging local agencies and recommended additional training as a remedy. SB 769 will encourage responsible governing and prevent fiscal mismanagement by applying training requirements for local officials who receive any type of compensation, salary, or stipend, on the fiscal and financial responsibilities of their position.

If you have any questions or need additional information, please feel free to contact Daniel Felizzatto in my Sacramento Legislative Office at (916) 442-0668.

Very truly yours,



GEORGE GASCÓN
District Attorney

cc: Senator Gonzalez