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CA Controller Finds Reckless Spending in South El Monte

SACRAMENTO – State Controller Betty T. Yee today announced that her team’s detailed review of the City of South El Monte’s administrative and accounting practices found prevalent and severe deficiencies, with 88 percent of internal control elements deemed inadequate.

“South El Monte officials demonstrated a culture of incompetence and blatant disregard for accountability of taxpayer dollars,” said Controller Yee, the state’s chief fiscal officer. “I am especially concerned with their exorbitant lobbying and consulting expenses that resulted in undefined benefits to the city and its residents.”

In August 2016, Controller Yee announced that her team would review the city’s finances over FY 2013-14 and FY 2014-15. The city, home to more than 20,000 people, is located in the San Gabriel Valley region of Los Angeles County. South El Monte spans 2.8 square miles, of which just 26 percent is residential.

The Los Angeles County Board of Supervisors and members of the South El Monte City Council requested the review by the State Controller’s Office following a corruption scandal. Former Mayor Luis Aguinaga resigned in August 2016 and pled guilty in September 2016 to bribery charges. According to the U.S. Attorney’s Office, Aguinaga admitted to accepting tens of thousands of dollars in bribes from a contractor. The former city manager, Anthony Ybarra, also resigned in the wake of the scandal.

Among the review’s most significant findings:

- 1 South El Monte had no policies for city-issued credit cards and business-related travel. City employees and city council members spent nearly \$290,000 on credit cards from July 2012 to September 2016. Credit cards paid for consultants’ bar tabs, airfare, staff lunches, and expensive electronics. The former city manager and city council members charged excessive hotel stays including a trip to Las Vegas without documentation to prove they were business-related. Council members purchased Apple laptops, phones, TVs, and tablets without purchase orders or including the equipment in the city’s inventory. The former city manager charged over \$3,000 to a cheerleading camp with no supporting documentation.
- 1 The city continually practiced lax contract oversight, often entering long-term contracts without city council approval. South El Monte city officials repeatedly granted contracts without competitive bidding or request for proposals (RFPs). For example, an engineering contractor billed the city for \$3.13 million between July 2011 and April 2016. A lobbying consultant billed the city for \$870,000 from May 2009 to September 2016. The former city manager entered into a non-competitive contract with a former city employee, resulting in \$372,000 in payments between August 2011 and September 2016.
- 1 The city paid a consultant \$390,000 after the contract expired and overpaid another contractor more than \$69,000. One contractor billed the city \$1.04 million from July 2013 to June 2016 without submitting time cards.
- 1 Often, the city did not have written contracts for services and employment, extended contracts without RFPs, and renewed upper management employees’ contracts long after expiration dates.
- 1 In 2009, the city reached an agreement with local agencies in four other cities to lobby the Metropolitan Transit Agency on the route of the Metro Gold Line Eastside Extension. Two cities stopped paying their share costing South El Monte \$314,000. Then, South El Monte incorrectly billed a city that was not part of the agreement, and improperly collected \$56,000 between July 2014 and October 2016.
- 1 In total, the city has paid over \$1.4 million to several lobbying and consulting firms to advocate for their preferred Metro Line route. There was no public discussion of the project or related expenses.

Overall, 69 of 78 internal control elements were inadequate. The city had incomplete and outdated policies, ignored administrative procedures, and possibly violated the city’s municipal code.

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 \$3.3 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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