

August 7, 2015

2015-802

Mark Sorensen, Mayor
City of Chico
P.O. Box 3420
Chico, California 95927

Dear Mayor Sorensen:

The California Government Code, section 8546.10, authorizes the California State Auditor (state auditor) to establish a high risk local government agency audit program (local high risk program) to identify local government agencies, including but not limited to counties, cities, and special districts, that are at high risk for the potential of waste, fraud, abuse, and mismanagement, or that have major challenges associated with their economy, efficiency, or effectiveness.

On July 1, 2015, the state auditor informed your city that it exhibited certain risk factors—in particular the ongoing deficits in the city's general fund and certain findings reported by the Butte County Grand Jury—that would warrant an initial assessment under our local high risk program. The purpose of the initial assessment was to better understand the cause behind these risk factors and determine the city's planned response. The state auditor has now completed the initial assessment after interviewing city officials and reviewing available documentation.

As a result of our initial assessment, the state auditor concludes that the city of Chico is taking reasonable steps to address the risk factors previously described. Chico's actions have included strengthening budget policies to address fund deficits, reducing personnel costs by eliminating positions and negotiating employee concessions, consolidating operations to increase efficiency, and increasing fees it charges for services to more closely align with costs. As a result, the state auditor will not be seeking approval from the Joint Legislative Audit Committee (audit committee) to perform an audit. However, the state auditor will continue to monitor the city's progress and may consider performing additional work, including conducting future assessments and seeking approval from the audit committee to perform an audit, if necessary. Should the state auditor plan to perform additional work, we will notify you at that time.

We greatly appreciate the cooperation provided by city officials during the initial assessment. If you have any questions, please do not hesitate to contact Mike Tilden, Audit Principal.

Sincerely,



ELAINE M. HOWLE, CPA
State Auditor

cc: Mark Orme, City Manager
Chris Constantin, Assistant City Manager
Frank Fields, Administrative Services Director
Scott Dowel, Accounting Manager