

August 7, 2015

2015-807

Tom Adams, Mayor  
City of Monrovia  
415 South Ivy Avenue  
Monrovia, California 91016

Dear Mayor Adams:

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 significant increases in pension obligations and weak controls over grant and contract management—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 Monrovia is now taking steps to address the risk factors previously described, and as a result, we will not be seeking approval at this time from the Joint Legislative Audit Committee (audit committee) to perform an audit. However, the state auditor requests that the city provide documentation by February 8, 2016, that identifies its progress in addressing the following risk areas discussed during our assessment close-out meeting on August 7, 2015:

- The increase in annual payments pertaining to pension and other post-employment benefits.
- The absence of long-term revenue projections for sales and property taxes based on supportable assumptions.
- The substantial overtime costs incurred by public safety departments.
- Limited degree of grant management activity pertaining to funding opportunities.
- Limited oversight and controls over contract administration.

The state auditor will continue to monitor the city's progress and may subsequently consider performing additional work, including conducting assessments and requesting approval from the audit committee to perform an audit in the future. 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 Linus Li, Audit Principal.

Sincerely,



ELAINE M. HOWLE, CPA  
State Auditor

cc: Oliver Chi, City Manager