



May 25, 2021

Received
05/25/2021

The Honorable Rudy Salas, Chairman
Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, California 95814

RE: Local Government High Risk Audit Program – City of Compton

Dear Chairman Salas:

Government Code section 8546.10 permits the California State Auditor’s Office (office) to develop a high-risk local government agency audit program for the purpose of identifying, auditing, and issuing reports on any local government agency, including a city, county, special district, or other publicly created entity, that the office identifies as being at high risk for the potential of waste, fraud, abuse, or mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness. Pursuant to this provision, I am respectfully requesting the committee’s approval of an audit of the city of Compton.

Located approximately 11 miles south of the city of Los Angeles, Compton has a population of more than 95,000. The city is governed by a city council composed of five elected officials who appoint a city manager to carry out the council’s initiatives and provide administrative direction to the city. The city manager is also responsible for keeping the city council advised of Compton’s financial condition and future needs. Compton funds services for its residents including public safety, maintenance and other public works, parks and recreation, planning, zoning, and general administrative services.

In November 2020, my office identified the city of Compton as the most fiscally challenged city in the State, primarily because it was unable to provide complete financial statements for any of the three years that we examined. Because of this lack of transparency over the city’s finances, we deemed Compton high-risk in all indicator categories. We subsequently conducted an assessment in February 2021 and determined that Compton is potentially a high-risk entity as it still lacks reliable financial statements, making it challenging to assess the city’s fiscal condition. In addition, it appears that the city still operates with a significant general fund deficit, among other financial risk factors. Thus, we believe it is necessary to perform detailed audit work to evaluate whether Compton will be able to address these conditions.

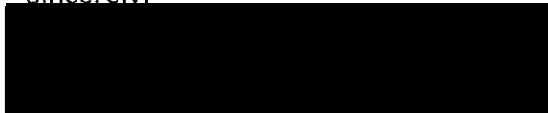
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An audit of the city of Compton will determine whether the city has an effective plan in place to address its ongoing financial and operational deficiencies. The proposed audit will address the following questions:

1. What is the city's current financial condition and does it have the ability to meet short-term and long-term financial obligations? Does the city have any plans to address any deficit spending or reserve deficits?
2. What are the city's financial challenges and what efforts has the city made to improve its financial condition?
3. Do the city's budgeting practices comply with best practices? Has the city developed effective forecasts to assess its ability to meet its long-term financial obligations?
4. What is the city's process for setting, increasing, or decreasing fees or rates, to ensure that it complies with applicable laws, rules, ordinances, regulations, and best practices?
5. What efforts has the city made to address the deficiencies identified by the State Controller's Office in its 2018 report, its external auditor during the most recent audit of the city's financial statements, and by any other relevant audits during the last five years?
6. Have the city's efforts to fill key management positions and maintain organizational and leadership continuity within city operations been effective?
7. Do the city's policies and practices for overseeing and approving expenditures and contracts comply with relevant state laws, policies, and best practices?

If you have any questions regarding this audit proposal, please contact me or Paul Navarro, Chief Deputy State Auditor, Operations, at (916) 445-0255.

Sincerely,

A large black rectangular redaction box covering the signature of Elaine M. Howle.

ELAINE M. HOWLE, CPA
California State Auditor