

September 20, 2017

2017-802

Edgar Cisneros, City Manager
City of Huntington Park
6550 Miles Avenue
Huntington Park, California 90255

Dear Mr. Cisneros:

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 June 14, 2017, the State Auditor informed the City of Huntington Park that it exhibited certain risk factors—in particular, rising pension and other post-employment benefits (OPEB) costs, dwindling fund balances, and costly contracting practices—that would warrant an initial assessment under our local high risk program. The purpose of the initial assessment was to better understand these risk factors and to identify the city's current and planned actions to address these issues.

Based on our assessment, we identified several risk factors that support our initial concerns about the city's ability to meet its future financial obligations, and that it needs to take additional actions to resolve them. Although at this time, the State Auditor will not be seeking approval from the Joint Legislative Audit Committee (Audit Committee) to perform an audit, we will continue to monitor the city's progress and actions, and may consider performing additional work, including conducting future assessments and seeking approval from the Audit Committee to perform an audit, if necessary. Accordingly, to facilitate our ongoing monitoring, the State Auditor will periodically contact the city for information related to the following areas:

- Actions the city has taken to identify additional sources of revenue, steps to reduce its costs, and ways to reduce the city's pension and OPEB costs.
- Progress on completing capital projects in the city's capital project outlay plan and its efforts to develop a long-term capital asset plan.
- Actual revenues and expenditures for the city for fiscal year 2017-18, and any updates to the city's fiscal year 2017-18 budget.

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- Budgeted and actual expenditures for both Metro Transit Services contracts for fiscal year 2017-18.
- A list of all contracts the city entered into in fiscal year 2017-18, and the process the city used to enter into the contracts, such as through sole source or competitive bidding. This list should include contracts which do not require a budget, such as the city's contract with the towing company.

Upon receipt of the information requested above, we will conduct additional analyses, which may include returning to Huntington Park. Furthermore, based on our analysis and assessment of the information provided, we may request approval from the Audit Committee to perform an audit of Huntington Park when the Legislature reconvenes in early 2018. Should the State Auditor plan to perform additional work on site, 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 John Baier, Audit Principal, at (916) 445-0255.

Sincerely,



ELAINE M. HOWLE, CPA
California State Auditor

cc: Marilyn Sanabria, Mayor