



Elaine M. Howle *State Auditor*

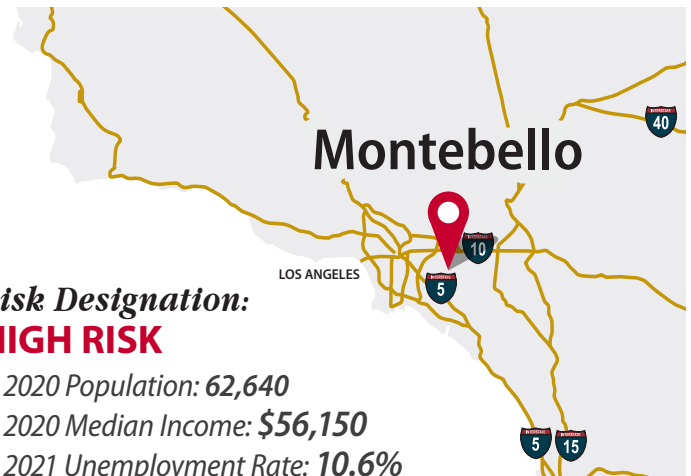
CONTACT: Margarita Fernández | (916) 445-0255 x 343 | MargaritaF@auditor.ca.gov

City of Montebello *Follow-Up*

Although It Is Making Positive Changes, It Remains at High Risk Because of Recent Declines in Its Financial Condition

Summary

Our follow-up audit of the city of Montebello revealed that the city continues to face challenges related to its financial stability. Although it has made significant positive changes to address the risks we identified in our December 2018 audit, its financial situation grew worse and it still needs to improve its oversight over certain practices. In this follow-up report, we conclude that Montebello remains at high risk.



Key Risks

Its financial stability remains uncertain: The city spent nearly \$11 million more from its general fund than it received in revenue in fiscal year 2019–20 and financial information from their audited financial statements indicated Montebello was at high risk of fiscal distress. Although it has resolved our previous concerns about its retirement costs, its approach has created ongoing risk.

It continues to make questionable decisions about its hotels: The city continued to be lax in oversight of its hotels—city staff analyzed financial reports for only one of its hotels one time since our 2018 audit. Further, the city council approved a loan from its general fund of up to \$3.4 million for hotel renovations without notifying the public by including discussion of the loan on the council meeting agenda.

It has not resolved problems with its procurement processes: Though Montebello has attempted to improve its operations, it has not always followed competitive bidding processes and city staff has not followed its new petty cash and credit card policies.

Key Recommendations

To help Montebello continue to address the risks we identified, we made multiple recommendations including the following:

- Ensure the city council meeting agendas include, as required, all fiscal policy matters it will consider and discuss during a public session.
- By January 2022, Montebello should do the following:
 - Create a policy requiring staff to document situations for deviating from procurement requirements as allowed in its municipal code.
 - Update its credit card policy to prohibit splitting payments to avoid any limits and require city council approval for any transactions above the limits.