

October 19, 2015

2015-803

Lilian Myers, City Manager
City of Maywood
4319 East Slauson Avenue
Maywood, California 90270

Dear Ms. Myers:

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 the city of Maywood that it exhibited certain risk factors—in particular a persistent general fund deficit and significant outstanding obligations—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. We provided you with a draft copy of our initial assessment on August 10, 2015.

Based on our assessment, we identified several risk factors that support our initial concerns about the city's ability to address its financial challenges. As a result, in August we recommended that the Joint Legislative Audit Committee (audit committee) approve an audit of the city of Maywood. However, as you may know, due to constraints in the legislative calendar the audit committee hearing to consider the audit proposal was cancelled. Nevertheless, the state auditor will continue to monitor the city's progress in addressing certain risk factors. Accordingly, the state auditor requests that the city provide documentation by December 31, 2015, that identifies its progress in the following areas:

- Actions taken to improve the city's financial condition and to eliminate its general fund deficit.
- Efforts to develop a plan for funding significant obligations to the California Joint Powers Insurance Authority, the California Public Employees Retirement System, and the successor to the city's former redevelopment agency.
- Any measures taken to address weaknesses in the city's internal controls over financial accounting and reporting.
- Actions taken by the city council to improve its oversight of the city's finances.

Upon receipt of the information requested above, we will conduct additional analyses which may include returning to Maywood. Furthermore, based on our analysis and assessment of the

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information provided, we may request approval from the audit committee to perform an audit of Maywood when the Legislature reconvenes in early 2016. 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 Mike Tilden, Audit Principal, at (916) 445-0255.

Sincerely,

A handwritten signature in cursive script that reads "Elaine M. Howle".

ELAINE M. HOWLE, CPA
State Auditor

cc: Eduardo De La Riva, Mayor