

February 16, 2018

2017-808

Chris Garcia, Mayor
City of Cudahy
5220 Santa Ana Street
Cudahy, California 90201

Dear Mayor Garcia:

Government Code section 8546.10 authorizes the California 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 November 22, 2017, my office informed the city of Cudahy (city) that it exhibited certain risk factors—in particular general fund imbalances, weak internal controls over financial and administrative procedures, and a past incident of corruption—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 response. My staff has interviewed city officials, reviewed available documentation, and has completed the initial assessment.

As a result of our initial assessment, we have concluded that the city is taking reasonable steps to address the risk factors previously described, and as a result, we 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 that monitoring will include the following activities:

- Reviewing the city's fiscal year 2016-17 audited financial statements, unaudited statements for fiscal year 2017-18 when available, and other fiscal documents, to determine whether the city's general fund shows signs of sustained recovery.
- Determining whether the city adopted a strategic plan and policies for its city clerk.
- Determining whether the city has strategies for addressing its pension obligations.

Depending on the conclusions we draw from monitoring the city's progress, we may consider performing additional work, including conducting future assessments and seeking approval from the Audit Committee to perform an audit, if necessary. Should we plan to perform additional work, we will notify you at that time.

We greatly appreciate your city officials' cooperation during the initial assessment. If you have any questions, please feel free to contact John Lewis, Audit Principal, at (916) 445-0255.

Sincerely,



ELAINE M. HOWLE, CPA
California State Auditor

cc: Jose Pulido, City Manager