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CA Controller to Audit City of Beaumont

SACRAMENTO—State Controller Betty T. Yee today announced that her staff will conduct an investigation into the financial practices and reporting of Beaumont, a city of 42,000 in Riverside County, to resolve significant differences between the city's financial transaction reporting to the Controller's Office and its audited financial statements.

"These substantial discrepancies call for a close analysis by our auditing team," said Controller Yee, the state's chief fiscal officer. "Beaumont residents and businesses need to be assured that their tax dollars are being used properly."

An initial review showed, for instance, that in the 2012-13 fiscal year, the city's total expenditures as reported to the Controller's Office were \$50 million less than in audited financial statements. The city did not include capital assets within its governmental activities and, as a result, failed to record depreciation expenses. Other variances were found in total revenues, transit fares, and cash and investment funds. The Controller's staff discovered discrepancies in both the 2012-13 and 2013-14 fiscal years.

Independent auditor reports for the past two fiscal years found deficits in some funds. The reports questioned whether the city will be able to reduce deficits without additional revenue or cuts. The city lacks \$43 million it needs to pay a legal settlement.

Controller Yee informed the city in a letter today that the audit will focus initially on the last two fiscal years but could be expanded depending on what auditors find. It will include an analysis of the administrative and financial controls of the city, including the impact of any findings on local, state, and federal programs administered by the city. An initial conference is expected this month, with field work to begin soon after.

In late April, the Federal Bureau of Investigation and the Riverside County District Attorney's Office served search warrants at Beaumont City Hall, the home of the city manager, and the offices of a firm that has provided contract employees as part of an investigation into the firm's relationship with the city.

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