

## WEST COVINA NEIGHBORS STOPPING THE TAX GRAB

### AUDIT COMMITTEE FACTS

Measure WC is **NOT** about “Rebuilding West Covina” . . . It’s about leadership . . .  
It’s about West Covina’s unions grabbing more power and increasing our taxes!

**Why was the Audit Committee created?** The Finance and Audit Committee was originally established in 2015 as the Audit Committee. Its creation was recommended, the San Gabriel Valley Tribune reported, “by both the State Controller’s Office and the Los Angeles County Grand Jury as a way to provide an extra set of eyes on the city’s financial reporting processes and internal controls—which were found to be incredibly lacking in a state audit . . .” For instance, the audit covered the years 2011-12 and 2012-13 and found the city “misused taxpayer money, violated state public contracting laws, and inappropriately hired a former city manager and other employees.” Millions of hard-earned taxpayer dollars had been lost due to financial shenanigans.

Resident concerns about city finances were finally responded to when newly-elected 2013 councilmembers—Mike Spence, James Toma, and Corey Warshaw—joined Fred Sykes on the council. The new council majority requested the State audit city finances from July 2011 to June 2013. The State audit was conducted and report was released in 2015. After the audit report was released, that city council took the necessary steps to bring in much needed management controls, fiscal reporting processes, and internal controls. In 2015, James Toma most ably explained the frustration elected officials and residents felt when he stated:

“It is frustrating that we cannot get back all that was lost, said Councilman James Toma during a special meeting to discuss the State Controller’s Office audit released in July.” Changes have been made and . . . **as long as people are paying attention, they will continue to be made.** (Emphasis added.)

(San Gabriel Tribune, September 2015)

***Citizen audit committee members do pay attention to city’s financial process just as the council that created it intended. Committee members often ask very hard questions of staff and they raise issues that are not always welcomed by staff—and that is why the unions want employees on this committee. They want to stop the hard questions about excessive overtime and deficit spending to stop.***

**Why the Audit Committee name is important:** When West Covina’s POA wrote the ordinance that goes into effect IF measure WC passes, they included:

**Section 11—Renaming of Existing Finance & Audit Committee as the Oversight Committee and Membership from Seven to Nine Members.**

**Section 11 is a bold power grab by the unions.** This section not only renames the audit committee, it, as the city attorney stated in the required legal “Notice of Intent to Circulate Petition” published in the San Gabriel Valley Tribune, Section 11 replaces “the City’s existing Finance & Audit Committee with a new nine-member Oversight Committee composed of six members of the public (two of whom must be employees of the City’s police and fire departments) and three elected officials of the city.”

***The name change does much more than rename the committee as the city attorney wants you to believe. It changes the committee’s purpose.***

Audit committees and oversight committees serve very different purposes. When the union sponsors of Measure WC decided to replace the committee with an oversight committee, they changed the committee’s purpose. Here’s how:

- **Oversight committees** are typically created when a special new tax is created, usually a restricted tax. Oversight committees tend to meet at least once a year, review that the new funds are being spent as presented to the people for a vote, and produce a report to the governing body on their findings. Oversight committees have a very narrow and limited scope of focus. Staff that participate on oversight committees

explain to the citizen members how the new funds are being spent in terms of tax measure's goals. The citizen members of an oversight committee may or may not have expertise in public sector finances: they rely on the information staff convey.

- **Audit committees serve a very different purpose.** Audit committees exist to ensure that the city council and residents receive accurate and timely financial information so the city council can make the best decisions for the city. An audit committee needs to closely monitor all expenditures to flag those that go over budget so the city council can decide what to do about the problem in a timely manner. Audit committees also review fiscal policies and procedures to determine if they are being followed. **If the audit committee finds a troubling area, it has the authority (and uses it) to recommend to the city council that independent, professional outside auditors pursue financial irregularities for more investigation and scrutiny.** Citizen members of audit committees are expected and selected to have an experience with public sector finance policies and procedures: they question staff on what the financial reports show.

**What this means:** West Covina's audit committee was created to function as a citizens committee. **There have never been employees on the audit committee—and there shouldn't be because employees cannot audit their own work or another department's work.**

The unions wrote a section of their ordinance, Section 11.D. as if the audit process was a collective bargaining agreement requiring union participation. For instance, Section 11.D. of the union-sponsored ordinance states their goal is "to ensure the West Covina Police Officers' Association has adequate representation on [their newly created] Oversight Committee" and requires the city council to consult and obtain union president approval if a city council desires to make a change to the powers and responsibilities of their new Oversight Committee. This change effectively puts the unions in charge of reviewing how departments, including their own, stay within budget allocations. That's wrong!

The Audit Committee is not and was never intended to be an employee workplace committee such as those that occur as part of the collective bargaining, budget allocation committees, labor-management committees, workplace safety committees, and the like. The seven residents who serve on this committee-- four citizens and three elected officials (two council members and the elected treasurer—serve on the committee in the public interest. They review, discuss, and make recommendations by vote on courses of action they believe are in the best interest of the city—residents and employees alike.

Employees and consultants (staff) are not on the committee because they are the employees who are hired to do the work the audit committee reviews. They do, however, have a role in the finance and audit review process. Audit committee members ask questions and staff explain the "why and why not something was or was not done. In effect, the citizen's representatives review the work of staff—the city manager, finance director, and department heads to ensure the work is being handled without the financial shenanigans of the past.

**What to expect:** **If Measure WC passes, the independent citizens audit committee established in 2015—and the hard questions citizen committee members ask about excessive overtime expenditures and deficit spending will stop.**

**The reason is very simple:** Replacing the audit committee with an oversight committee created by unions changes the committee in ways that easily puts an employee agenda ahead of resident interest. Audit committee members are expected to have an understanding of public finance processes that oversight committee members are not expected to have. Employees do not belong on an audit committee because they cannot audit their own departments. **There is no reason to replace an audit committee that has been working for residents!**

IN THE MARCH 3, 2020 ELECTION,  
JOIN FOUR FORMER MAYORS  
- Fred Sykes, Forest Tennant, James Toma, and Ben Wong -  
AND SAY "NO" TO HIGHER SALES TAXES!  
**VOTE "NO" ON MEASURE WC!**