

Here's the Facts: Bad Audits

Resident concern regarding city finances, waste, and potential misappropriation of funds is not new. The city spent more money than it took in, i.e., deficit spending. City properties had been sold. Business practices had deteriorated.

In 2013, West Covina voters elected city council candidates who assured residents they would look into and fix West Covina's business practices and financial situation. This section summarizes various city council actions taken to respond to resident concerns and two "bad" state audits..

- **2015:** The city council responded to resident's concerns by requesting the State Controller audit the City of West Covina. The State Controller's audit (2015) found the City of West Covina was inadequate in 72 out of 79 elements they evaluated. In response to that negative audit and recommendations made by the Los Angeles County Grand Jury, then city council began implementing the needed changes to city's business practices ([San Gabriel Valley Tribune](#), 2015). The changes included the creation of an Audit Committee to act as an extra set of eyes on the city's reporting processes and internal controls, elements the State Controller's office found to be incredibly lacking in West Covina ([San Gabriel Valley Tribune](#), 2015).

It takes determination, the willingness to make unpopular decisions, and a lot of hard work on the city council to make the needed changes. For a several years, it looked like West Covina was on its way to stronger financial future.

[2015 City Council](#)

Fred Sykes, Mayor
Councilmembers:

James Toma, Mayor Pro Tem
Mike Spence, Corey Warshaw, Ben Wong

- **2016 through 2018.** Despite changes to West Covina's city council, the city council continued to focus on improving the city's long-range financial future. They began implementing public sector "best practices" on business policy and procedures.

The City's continuing multi-million-dollar deficit spending was a concern. Options such as increasing fees and taxes were explored. Residents asked the city council to control expenditures before just turning to residents to vote for a tax increase. Ultimately, the then [council majority](#) made hard, and yes, unpopular decisions such as laying off maintenance staff and reducing all department budgets by 10% ([San Gabriel Valley Tribune](#), 2018).

In addition to improving the city's business practices, the then city council majority brought about a highly collaborative and evaluative process involving West Covina's elected officials, city manager and finance staff, and auditors began. New business policy and procedures were underway. Transparency increased. The process for improving West Covina's long-term financial management was underway. Resident input was solicited, respected, and, where feasible, included in council decisions. ***This is the way American city government is expected to function.***

- **2017.** In response to a [lawsuit](#), the 2017 city council was forced to make the very difficult decision to change from electing councilmembers from "at-large" to "by district" elections. Council districts changes how campaigns were run and residents voted. Council districts also helped **Tony Wu** get "his" people elected. Independent judgment was replaced by group thinking. Pet projects became the norm. ***Transparency—the guiding American principle that government works for the public and should be open to the public for input and discourse—was lost.***

WestCovinaNeighbors.org

Have City Finances Really Improved under the leadership of Tony Wu and Letty Lopez?

“I used to complain about not having a majority behind me, and now [with the election of [Letty Lopez and Dario Castellanos] I got my wish. The full responsibility is on our shoulders now.”

Tony Wu

November 7, 2018
San Gabriel Valley Tribune

- **2019.** The first district council election resulted in the election of a council majority—**Tony Wu, Dario Castellanos, and Letty Lopez**—who brought a radically different fiscal and operating philosophy to the city than previous councils followed. Instead of the city council addressing a sales tax increase, the city’s two public safety unions and a resident sponsored Measure WC, a sales tax increase. In return, the city council approved a large pay increase for public safety employees.

Department heads were fired or forced out. Significant numbers of employees left. The city’s institutional memory was eliminated. Business practices changed. Deficit departmental spending was ignored. Transparency was gone. Resident input was dismissed as a legal requirement for the council to put up with. Instead, the council majority began implementing the “Tony Wu plan”—a plan to designed to fundamentally transform our city—and without resident input.

When the California State Auditor released the list of the “Top Cities Facing Fiscal Challenges”, the City of West Covina was ranked the 17th worst of the 471 California. (West Covina later become the 9th worse and then the 12th worse when other cities did worse.) Despite the city’s disastrous financial health ranking, the City Council majority approved a 12% pay increases for public safety personnel with a disregard the impact the large pay raise will have on future years’ budgets or future pension costs.

- In December 2019, residents were concerned that despite the city’s State Auditor ranking as a “high financial risk city” the city council were making long-range financial commitments that put the city’s financial stability in jeopardy. Residents asked the State to audit our city.
- **2020.** The State Auditor conducted an audit and released a report in December 2020 titled “[City of West Covina: Its Deteriorating Financial Situation Threatens its Fiscal Stability and Its Ability to Provide City Services](#)”.

[2020 City Council](#)

Tony Wu, Mayor
Councilmembers:

Letty Lopez-Viado, Mayor Pro-Tem
Dario Castellanos, Lloyd Johnson
Jessica C Shewmaker (Appointed)

- **2021.** The City of West Covina agreed to submit a [corrective action plan](#) to the State Auditor. Despite the correction action plan, the city council routinely ignores state auditor recommendation to prepare financial analysis before making decisions and play games with the budget. ***This is not the way American city government should function.***

Extract CALIFORNIA STATE AUDITOR RECOMMENDATIONS TO THE CITY OF WEST COVINA <i>December 1, 2020 Report No. 2020-806</i>	
OBJECTIVE NO.	ACTION STEPS
6. Prepare financial analyses that evaluate both the short-term and long-term financial implications of significant decisions.	<ol style="list-style-type: none">1. Use a multiyear forecast to quantify the impact of decisions on the city's financial condition.2. Evaluate short and long-term impacts of major revenue decisions. Recognize trade-offs and opportunities of each decision.