

LA City Officials Were Warned of "Lost" Millions Years Ago ... and Did Nothing

09.03.2012, Kevin James



POLITICS - On July 20 the Los Angeles Times reported on the growing number of cities falling victim to the "questionable accounting practices" put in place by their elected officials. According to the Times, "many of the [bankrupt] cities relied on restricted funds to balance their books, obscuring their financial troubles." The Times correctly concluded that "bad accounting practices and improper use of funds have also taken a toll" in forcing California municipalities into bankruptcy. <http://lat.ms/P2q4IS>

A few weeks later, Californians statewide were outraged to learn that \$54 million in taxpayer funds had been hidden away at a time that state lawmakers are asking taxpayers for more of their hard-earned money. According to the Los Angeles Times, the money was "hidden" in parks accounts "stashed away for at least a dozen years." Investigations are now warranted, and many are being opened. <http://lat.ms/Qi7sOB> According to the Times, a state audit was added to "a growing list of probes examining state finances in the wake of an accounting scandal."

After further investigations were opened, hundreds of millions of additional dollars were found. Californians up and down the state started asking questions about their own city's finances and accounting practices as well, particularly because of municipal bankruptcy fears that have been sweeping the state.

In an attempt to capitalize on this latest state accounting scandal, Los Angeles Controller Wendy Greuel sent out a press release on August 16, 2012 referencing the state scandal and stating that she "is currently in the process of auditing some of the highest risk special revenue funds to ensure full transparency and accountability of every dollar within these funds."
<http://bit.ly/Qj3wkD>

What Controller Greuel failed to tell the public is that on August 27, 2008, four long years ago, Greuel's predecessor Controller Laura Chick sent a letter to the Mayor and the City Council (which included Greuel) warning them that millions of dollars of taxpayer money was being "lost" in hundreds of special revenue funds. Specifically, Controller Chick wrote that "I have been critical of the over abundance of separate fund accounts because money easily gets "lost" in them, remaining unspent and thus wasted." Here is a link to Controller Chick's 2008 letter. <http://bit.ly/OVgRzH>

It is now clear that Controller Greuel, who has been Controller since July 1, 2009, has done nothing to find the "lost" millions from the hundreds of special revenue funds referenced in Ms. Chick's 2008 letter -- at least up until the very recent work referenced in her August 16, 2012 press release.

Controller Greuel is not the only elected official that deserves blame for ignoring Controller Chick's warnings. Councilmembers Eric Garcetti and Jan Perry are running for Mayor and Councilmember Dennis Zine is running for Controller. They were also City Councilmembers in 2008. Yet none of them are able to show that they responded in any way whatsoever to Controller Chick's 2008 letter warning every one of them that millions of dollars of taxpayer money was being "lost" in these special revenue accounts.

Controller Chick's warning that millions of "lost" money was floating around special revenue funds was ignored while fiscal emergencies were declared by city officials in 2009, 2010, 2011, and 2012.

Controller Chick's 2008 letter is concerning for several obvious reasons. As a former federal prosecutor, what concerns me the most about Controller

Chick's letter is her decision to put the word "lost" in quotations marks -- possibly suggesting something more sinister related to the money than merely losing millions of dollars of taxpayer money.

It is clear that our elected officials waited for years to respond to Controller Chick's mandate, if at all, and what makes matters worse is that Controller Chick's choice to put the word "lost" in quotation marks should have sent up a red flag and resulted in urgency on the part of our elected leaders to "find" the millions of dollars in taxpayer money -- especially those four members of the 2008 City Council that are now running for citywide office (Greuel, Garcetti, Perry and Zine).

Controller Chick's 2008 letter is shocking enough. Elected officials' failure to respond is inexcusable.

(Kevin James is an attorney, radio broadcaster, former Asst. US Attorney, and candidate for LA Mayor and occasional contributor to CityWatch.) –cw

CityWatch

Vol 10 Issue 71

Pub: Sept 4, 2012

Hyper-links in Kevin James September 4, 2012 CityWatchLA article

Before is a list of the article's hyperlinks as shorten bytes

<http://lat.ms/P2q4IS>

July 18, 2012, 6:11 p.m. "Compton on Brink of Bankruptcy," By Abby Sewell and Jessica Garrison, Los Angeles Times

<http://lat.ms/Qi7sOB>

August 9, 2012, "New Investigation into Hidden California Parks Fund Is Ordered," By Chris Megerian and Christine Mai-Duc, Los Angeles Times

<http://bit.ly/Qj3wkD>

August 16, 2012, Wendy Greuel Controller's Report re 500 Special Revenue Funds

<http://bit.ly/OVgRzH>

August 27, 2008, Wendy Greuel Controller L re 700 Special Revenue Funds