



August 20, 2025

Los Angeles City Charter Reform Commission  
c/o Justin Ramirez, Executive Director  
200 N Spring St, Room 277  
Los Angeles, CA 90012

Honorable Members of the Los Angeles City Charter Reform Commission:

As Los Angeles City Controller, my office has the Charter-mandated responsibility to be the City's Chief Accountant, Auditor and Paymaster overseeing over \$35 billion in taxpayer dollars distributed across more than 40 departments (including airports, harbor, and DWP). This includes providing critical services like the City's accounting function, reviewing and approving payments to employees and vendors, financial analysis and reporting, forecasting revenue, and effectuating the Council's and the Mayor's financial instructions, including implementing the budget and all financial decisions.

As one of only three Citywide elected officials, the Controller is tasked with a critical oversight function, providing independent accountability and transparency across Los Angeles. However, we have nowhere near the level of resources and tools to carry out the Charter's intentions of providing proper oversight over the City's funds and Angelenos' tax dollars.

**To fulfill our role as the City's independent watchdog, my Office presents the following Charter Reform recommendations:**

- 1. Give the Controller an independent budget**
- 2. Designate the Controller as the City's Chief Financial Officer**
- 3. Require minimum qualifications for the Controller**
- 4. Clarify the Controller's audit authority includes performance audits of ALL City programs that are sourced from or use City tax dollars (including those under elected offices)**
- 5. Allow the Controller to hire outside counsel**
- 6. Enshrine the Controller's Fraud, Waste, and Abuse function**

Some of the tools to provide this oversight and accountability were part of 1999 Charter Reform, such as the authority to conduct performance audits. We urge the Commission to

build on that legacy to enshrine more robust oversight that the City desperately needs to meet this moment.

The City is in crisis: crumbling infrastructure, understaffed services, multi-year budget deficits, and that was before the fires and Trump. The City's financial troubles are nothing new. The 2008 Great Recession and the COVID-19 Pandemic contributed to severe deficits. However, from late 2023 to today, the City has suffered consecutive budget deficits as a direct result of City Hall's own decisions.

This cycle of deficits will continue unless Los Angeles fundamentally re-envision the City's financial structure. Because of the City's decentralized financial structure with no singular entity in charge of the City's financial health, instability is not just an unfortunate outcome, it is inevitable and our current reality. Our primary concern is to protect taxpayer dollars and ensure that those dollars are spent wisely.

Our proposed reforms aim to safeguard the City's finances by protecting the Controller's independence and empowering the Controller to speak frankly about the City's fiscal health, both within City Hall and, more importantly, to the people of Los Angeles who elect the Office.

## **1. BUDGET INDEPENDENCE**

The Controller plays an essential role in the accounting and oversight of approximately \$35 billion distributed across more than 40 departments (including airports, harbor, and DWP). However, the Controller's Office has been historically understaffed and can provide this critical oversight only if we are provided with the proper resources by the City Council and Mayor.

- Before the 2008 Great Recession, the Controller's Office had 185 authorized regular positions. Today that number is 142. Since then, the amount of departments, employees, programs, payments, and financial transactions have only increased.
- Last fiscal year (FY2025), our already understaffed Office had 27 positions cut (15% of our positions).
- The Controller's Office was the only elected Office to see a net decrease in our operating budget over the past two-year period.
- Examples of our woefully inadequate staffing:
  - We have only two accountants to review and approve all Citywide vendor payments.
  - We have seven auditors for the entire City. Each audit team consists of two to three auditors and can take up to a year to complete one audit.
    - In order to carry out our Charter-mandated audits of every department on a regular cycle, we would need 23 additional auditors.

- We have five fraud, waste, and abuse investigators for the entire City. We received over 700 FWA claims last year and had to refer a majority of claims back to the department to investigate themselves due to our shortage of investigators.
  - In order to effectively and proactively address fraud, waste, and abuse, we would need 15 additional investigators.

Due to chronic understaffing, our Office and the City at large, have faced severe impacts:

- Delays in payments to vendors and employees
- Lawsuits & labor grievances due to delays in fixing payroll issues & implementing labor contract provisions
- Delays in closing the books at year-end and implementing the City's budget
- Delays in effectuating Council instructions for appropriating funds including quarterly instructions from the Financial Status Reports
- Elimination of the City's Annual Preliminary Financial Report
- Incurring penalties for noncompliance with tax laws
- Inability to train and assist Citywide accountants
- Inability to investigate hundreds of Fraud, Waste, & Abuse claims
- Inability to audit and provide reliable oversight over all City payments, departments, and programs as mandated by the Charter

In times of financial crisis, better oversight over our tax dollars is more critical than ever. Government oversight entities in the City and in other jurisdictions have taken steps to tackle this issue by establishing a fixed funding model whereby the organization receives a fixed percentage of the jurisdiction's overall budget.

- In Los Angeles, voters overwhelmingly passed Charter Amendment ER by 75%-25% to establish a minimum annual budget for the City's Ethics Commission, which also provides oversight of LA City government and elections.
  - The Charter Reform Commission should give the voters the opportunity to do the same for the Controller's Office.
- In New York City, voters passed a Charter amendment in 2019 to set a minimum budget for the Public Advocates Office, an elected watchdog over City agencies.
- In San Francisco, the Controller's Audit Fund receives 0.2% of the City's total annual budget.
- In Chicago, the Office of Inspector General (OIG) requires that the OIG budget is no less than 0.14% of the City's annual appropriations ordinance.

It should be noted that while the Controller's audit function is the most likely to cause a rift between the Office and other City elected officials, auditing is not the only mission-critical function the Controller provides. A majority of our work includes accounting functions like

reviewing, approving, and processing payments to tens of thousands of employees and vendors.

The Charter, for good reason, assigns these functions to an independently elected official accountable to the voters to provide that oversight. Without the Controller, there would be no independent check on City payments and no independent voice reporting on the City's fiscal health. Unfortunately, due to understaffing and budget cuts, our current staffing levels are unable to provide sufficient oversight on these payments. An independent budget for our Office would ensure that all of these services are preserved, and the City would be more accountable.

***Specifically, the Controller recommends amending Charter § 263 in the following ways:***

- (1) The Office of the Controller shall receive an annual appropriation from the Council in an amount not less than a fixed percentage of the General Fund for that fiscal year (currently, our operating budget is 0.29% of the General Fund);***
- (2) Specify that the Controller's expenses and budget requests are not subject to approval by any other City office or position when the Controller operates within its budget; and***
- (3) Specify that the Controller is not subject to hiring freezes when it operates within its budget.***

## **2. DESIGNATE THE CITY CONTROLLER AS THE CITY'S CHIEF FINANCIAL OFFICER (CFO)**

In Los Angeles, the responsibility for the City's finances is spread across five different offices and departments: the Mayor, the City Council, the City Administrative Officer (CAO), the Office of Finance, and the Controller. Each has an important role to play, especially in budgeting (Mayor, Council, CAO) and collecting taxes and managing the treasury (Finance). However, in our decentralized system, one important role is left vacant: a Chief Financial Officer to oversee the City's financial health and provide a long-term strategic vision for the City's finances. As the City's Chief Accountant, Auditor and Paymaster, the elected City Controller (the independent watchdog) is the most logical place to enshrine this responsibility.

Recognizing the elected Controller as the CFO is a common practice in other major cities, including New York, San Francisco and Houston. In the past, many Los Angeles City Controllers have also referred to themselves as the City's CFO, albeit unofficially. This is because the Controller performs many of the traditional CFO functions including accounting, financial analysis and reporting over the City's finances, forecasting, and establishing internal financial controls.

Certain CFO functions such as the treasury (Finance) and debt issuance (CAO) are not currently under the Controller. However, both of those positions are appointed and can be

hired and fired by the Mayor and City Council. The Controller, on the other hand, is independently elected and accountable to the voters, giving the person in that position the ability to speak freely about the City's financial realities.

In practice, our Office has already been doing the job:

- Since taking office, our revenue forecasts have been more accurate and in line with actual revenues received than what the CAO, Mayor, and City Council budgeted.
  - FY 2024 General Fund Revenue Forecasting:
    - CAO/Mayor/City Council: Overestimated revenues by \$222 million
    - City Controller: Our forecast was off by only \$15 million
- We warned in March 2023 of “trouble ahead” as we saw that expenses were set to increase dramatically, outpacing current revenue growth, starting with the new police labor contract.
- We’ve been warning about the City’s overspending (spending over budget) and the forced underspending in other areas, which has resulted in reduced critical services and resources for Angelenos.
- We alerted City leaders and departments to the existence of idle funds (funds that have not been spent in a long time).
  - Because of our reports on idle funds, departments have begun using some of these idle funds. We were also able to put some of these funds to use on replenishing our depleted Reserve Fund.
- We’ve been sounding the alarm on liability payouts and urged City officials to budget more realistically on liability payouts and hold departments accountable.
  - Because of our consistent pressure and transparency on liability payouts, the City finally budgeted liability payouts more accurately going into FY 2026.
- We’ve consistently advocated for the City to have a Chief Financial Officer and adopt a two-year budget cycle.
  - Because of our continual efforts, the City is considering a CFO position and moving to a two-year budget cycle.
- We’ve long advocated for a capital infrastructure plan since the City has deferred maintenance and investment in vital infrastructure for decades, which have led to higher risks and costs in the form of injuries and liabilities.
  - Because of our efforts, the City is in the process of creating a capital infrastructure plan.
- We gave recommendations on cost savings related to borrowing costs and pension contribution costs that would have helped avoid City layoffs.
  - Unfortunately, the City did not make a strong push to adopt our recommendations regarding the City’s overpayment of the City’s police pension contribution by at least \$80 million. The CAO’s Office made the decision to overpay beyond contractual obligations during the middle of a financial crisis.

Currently, we are working to carry out our long-term strategic vision to improve the City's fiscal health and services. As part of this strategic approach, we recommend:

- Moving towards a two-year budget
- Establishing the City's Chief Financial Officer
- Implementing a real capital infrastructure plan
- Having honest and transparent budgeting
  - Tackling our structural deficit – really addressing how we got here
  - Pushing the City to have realistic revenue projections
  - Accurately budgeting for liability payouts and increased costs
- Pushing for accountability for overspending
- Implementing performance based budgeting
- Empowering department heads with their budget

To improve financial monitoring over the City's finances, our Office has been meeting monthly with departments to review their spending, revenues, financial forecasts, and performance metrics. Our regular engagement with departments helps the City track results and ensure that taxpayer dollars are wisely spent.

Our track record of doing the job already – providing sound, prudent, and complete financial analysis and reports, actionable recommendations, and issuing timely warnings to the City's stakeholders and public prove that we are the correct office to house the Chief Financial Officer position.

To be clear, formalizing the Controller's role as the City's Chief Financial Officer would not affect the power of the Council or the Mayor. Just as any individual can ignore the advice of their accountant (at their own peril), the role of the Controller as CFO would remain advisory, similar to the advisory role of the City Attorney.

The Mayor would still retain the prerogative to introduce their budget to the City Council, and the Council would still retain their authority to debate and change the Mayor's budget before sending it back to the Mayor to be signed.

No single person is to blame for LA's fiscal issues. That's part of the problem. With diffuse authority and a lack of clarity about which office shoulders the responsibility to provide the strategic vision for the City's fiscal future, Los Angeles will continue to prioritize short term fixes. Designating the elected City Controller as the LA's Chief Financial Officer is an important step towards finding real long term solutions.

***We recommend amending Charter § 260 to include “Chief Financial Officer” in the description of the role of the Controller.***

### **3. THE CITY CONTROLLER MUST HAVE MINIMUM QUALIFICATIONS**

To successfully carry out the functions of the CFO of the second largest City in America, which includes overseeing the City's accounting and financial reporting functions, debt issuance, risk management, establishment of internal controls over financial reporting, and the overall financial health of the City, the Controller/CFO should have a finance or accounting background, at minimum. Strategically managing the City's fiscal health requires a high degree of technical knowledge and competence.

In the private and public sector, Controllers have a finance or accounting related degree or professional certification, and related experience.

Requiring licensure for an elected position is not unprecedented in the City of Los Angeles. Under the Charter, the City Attorney must be qualified to practice law in all the courts of the state. Similar to the City Attorney, the City Controller/CFO is a technical position that requires education and experience to understand the complexities of the specialized field.

***We recommend amending Charter § 260 to require the City Controller to:***

- 1. Possess a baccalaureate degree from an accredited college or university in Accounting, Business Administration, Finance, or closely-related field, OR a professional certification in a accounting or finance related field and***
- 2. Five years of verifiable full-time experience in finance, accounting, business administration, audit, or related fields***

### **4. CLARIFY THAT THE CITY CONTROLLER HAS THE AUTHORITY TO CONDUCT PERFORMANCE AUDITS OF CITY PROGRAMS UNDER ELECTED OFFICES**

The current version of Charter § 261(k) has left room for misreading of the Charter and undermining of the Controller's role by shielding certain programs and City functions from the scrutiny of a performance audit. As such, the City Attorney has made assertions that programs and functions housed in elected offices are beyond the reach of the Controller's performance audit authority. To rectify this, we propose striking 261(k) and amending 261(e) to reflect the Controller's true auditing authority.

As written, Charter § 261(k) grants the Controller the broad authority to conduct performance audits of all City programs akin to its financial audit authority. Charter § 261(k) does not prevent the Controller from auditing any program in receipt of City funds regardless of the organizational location of the program given that Charter § 261(k) provides that the Controller has discretion to conduct performance audits of City programs even if they are under the auspices of elected offices.

The fact that "offices" is not included in Charter § 261(k)'s language does little to undermine that intent. It is clear, as a matter of statutory interpretation, that the Controller can audit all

City programs. In the letter and spirit of 261(k)'s language, the Controller has the ability to conduct performance audits of *all* City programs entirely irrespective of whether the programs are under the auspices of elected offices. The Controller's broad authority to conduct performance audits enshrine a clear intention to enhance checks and balances.

Performance audits have historically been within the Controller's ambit. Examples of these projects include reviews of LAPD's Compliance with AB 481 (Military Equipment: Funding, Acquisition, and Use), the City's Implementation of the Tenant Anti-Harassment Ordinance, LAHD's Affordable Housing Oversight, LAPD's Property Division, LADWP's utility discount programs, and LAHD's administration of emergency loan programs.

The City Attorney's opinion that the Controller cannot compel performance audits of programs housed within City elected offices contravenes the spirit and letter of Charter § 261(k) and undermines the will of the voters. It undermines the Controller's role as the taxpayers' independently elected watchdog by shielding programs and other City functions (e.g., litigation against illegal cannabis operators and administration of workers' compensations claims in the City Attorney's Office) existing in an elected official's office from the scrutiny of a performance audit. It also incentivizes elected officials to intentionally place new programs that receive significant funding under their control (e.g., Inside Safe), which prevents the transparency, accountability, and oversight imbued in the City's only auditor and paymaster.

In function, the City Attorney's interpretation of Charter § 261 has created an oversight loophole that allows City officials to situate programs in elected offices to ensure they are not subject to oversight by the elected taxpayer watchdog. This is especially concerning as key functions related to homelessness and unarmed response are now housed within the Mayor's Office.

***To address this, we recommend the following changes to Charter § 261:***

***(e) in compliance with generally accepted government auditing standards, audit all departments and offices of the City, including proprietary departments, where any City funds are either received or expended; be entitled to obtain access to all records and personnel, including from City contractors and subcontractors that are either expending or receiving City funds, in order to carry out this function; establish an auditing cycle to ensure that the performance, programs and activities of every department are audited on a regular basis, and promptly provide completed audit reports to the Mayor, Council, and City Attorney and make those reports available to the public; this auditing authority includes authority to conduct performance audits of all departments and of any City programs (irrespective of whether the programs are under an elected office), including suggesting plans for the improvement and management of the revenues and expenditures of the City.***

***Nothing in this subsection shall empower the Controller to audit entire elected offices.***



***Nothing in this subsection shall preclude the Mayor or Council from conducting management studies or other review of departmental operations.***

***(k) [STRIKE]***

The current Charter language was the product of two Charter commissions, one citizen-led and another created and appointed by the City Council. To find a true resolution, the issue of the Controller's performance audit authority should be put before the voters to decide.

## **5. LEGAL AUTONOMY**

Pursuant to Charter § 271, the City Attorney provides legal services to all City departments, including the Controller. However, unlike other City departments, the Controller is charged by law with serving as the auditor and general accountant of the City and exercises a general supervision over the accounts of all offices, departments, boards, and employees-- including the City Attorney and everyone in that office, as well as being responsible for conducting financial and performance audits and fraud, waste and abuse investigations of the aforementioned entities. Given that the City Attorney's role may occasionally come into conflict with the Controller's oversight authority, it is essential that the Controller has the authority to obtain outside counsel when circumstances arise.

When the City Attorney's office provides legal services to the Controller, issues concerning advice, conflict-of-interest, and confidentiality can arise. The City Attorney advises both the Controller and the City departments, employees, and elected officials the Controller has the authority to audit and investigate.

In addition, when legal guidance and representation are needed, the current structure requires the Controller to disclose confidential information to the City Attorney's office regarding investigations involving departments and individuals who are also the City Attorney's clients. These issues raise conflict concerns regarding dual representation and can present challenges for the City Attorney's office when it communicates with City officials as clients.

To avoid conflicts and promote public confidence in the inner workings of City government, it is essential for the Controller to have access to outside counsel as needed. ***The Controller recommends amending Charter §271(b) to specify that "The City Attorney shall be the legal advisor to the City, and to all City boards, departments, officers and entities. The City Attorney shall provide legal services to the Controller's Office except that the Controller may retain independent legal counsel to provide advice to the Controller and to take such action that the Controller may direct when necessary to address conflicts of interest and dual representation. Further, the Controller may retain its own legal counsel for legal services in carrying out the Controller's responsibilities and duties under Charter §§ 260-266. The City Attorney shall give advice or opinion in writing when requested to do so by any City officer or board."***

Charter §275 states “the City may otherwise contract with outside legal counsel to assist the City Attorney in the discharge of his or her duties under the Charter only upon written approval of the Council and the City Attorney.” While this mechanism would not necessarily prevent the Controller from obtaining outside counsel, it provides the Council and City Attorney with discretionary authority to reject requests.

In practice, where legal issues and City processes intersect, the Controller and its outside counsel would continue to work collaboratively with the City Attorney’s office.

The Ethics Commission recently recommended amending Charter Sec. 708 to specify that their legal services are provided by independent outside counsel.

We believe that the Controller’s Office should be offered similar autonomy on an as needed basis, especially in light of our efforts to address the accountability gap described in the current interpretation of the Controller’s performance audit authority.

## **6. ENSHRINE FRAUD, WASTE, AND ABUSE (FWA) FUNCTION**

The City created the FWA Unit in 2005 (i.e., post-Charter reform) and embedded it within the Office of the City Controller. The goal was to build an independent, specialized team of investigators with relevant training and expertise to conduct comprehensive investigations. Until then, allegations of fraud were typically referred to the responsible departments and subject to internal investigations. Today, the role of the FWA Unit—and its placement within the Controller’s Office—is outlined in the City’s Administrative Code (Sec. 20.60).

Although Charter Sec. 217 empowers the Controller and other elected officials with tools (i.e., administer oaths and issue subpoenas) to carry out investigations and proceedings, the authority to conduct investigations into fraud/waste allegations was never fully enshrined in Charter Sec. 261 along with the rest of the Controller’s powers and duties. The lack of corresponding language in the Charter means that the FWA Unit and its responsibilities could be shifted to a different City entity or done away with altogether through the legislative process. This makes it essential to protect the independence of the Unit and its placement within our Office.

***As such, we recommend the following addition to Charter Sec. 261: “(I) Manage and maintain a whistleblower hotline; receive and investigate allegations of fraud, waste, abuse, inefficiency, and ineffectiveness; engage in prevention activities, including, but not limited to, conducting risk-based proactive investigations and fraud awareness training.”***

## **CONCLUSION**

We are always available to answer any questions or address any concerns the Commission might have about our suggestions or anything else about the future of Los Angeles. We would

also appreciate the opportunity to present our proposals to the Commission directly when it is appropriate.

The financial and structural problems facing Los Angeles are large, but that does not mean they are insurmountable. We look forward to working with the Commission, other City Offices and Departments, and, most importantly, the people of Los Angeles to chart a new course for LA.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth Mejia".

KENNETH MEJIA, CPA  
City Controller