



**City of Industry's Response to  
State Controller's Review Report of the  
City's Internal Control System  
January 24, 2019**

The City of Industry ("City") received the State Controller's final review of its Internal Control System, which covered the period from Jan 29, 2016 through April 12, 2018, and which was represented to be a follow-up to the Controller's 2015 review of the City, which covered the period from July 1, 2012 through June 30, 2014. Notably, April 12, 2018 is also the same day the City Council appointed Troy Helling as the City's new City Manager.

Generally, the City is not disputing the majority of the findings and recommendations, concerning our internal financial controls. In fact, as was outlined in the City's response (which is included in the appendix of the report), the City has worked diligently since 2016 to implement the Controller's prior recommendations. Further, as stated by Mr. Helling during today's City Council meeting, over the next several months, the City will continue its work to put new policies into effect to address the Controller's findings, and will provide the City Council with periodic progress reports.

What is frustrating is the apparent political motivation behind the Controller's report. When asked how different projects are chosen for review, the Controller's staff indicated that reviews are precipitated by newspaper articles, whistleblowers or comments by staff members of the targeted agency. For more than a year, countless articles have been written about the City's purchase of the property known as Tres Hermanos, the expenditure of \$20 million in public funds on the project, and the seven lawsuits that have been filed against the City concerning the project. Despite the high-profile nature of this transaction, and a request from the City to the Controller's office to review the transaction, the Controller failed to review the Tres Hermanos project. Through a request for documents under the California Public Records Act, the City was able to piece together the puzzle, as the documents clearly show that the Controller's follow-up review was done at the behest of the developer behind the Tres Hermanos project, and individuals such as Bill Lockyer, a close friend of the Controller, and who previously served as the City's Independent Reform Advisor during the time frame under review. The Controller's review of Industry was nothing more than an attempt to aid the private interests of the Controller's personal friends and political allies.

We invite the State Controller to once again review the City's progress, but we hope that they also assist us in the egregious matter regarding San Gabriel Valley Water and Power. A copy of the State Controller's Report, as well as the City's periodic progress reports, will be posted on the City's website for public review.