



KENNETH MEJIA  
CONTROLLER

April 21, 2026

Honorable Members of the Budget and Finance Committee  
c/o Office of the City Clerk  
200 N. Main St. Room 395  
Los Angeles, CA 90012

**RE: CONTROLLER — MAYOR’S PROPOSED BUDGET FY 2026-2027**

Dear Honorable Committee Members:

Thank you for the opportunity to provide comment on the Mayor’s Proposed Budget for the Controller’s Office for FY 2026-27.

Although the proposed budget does not restore our much needed positions that were swept during the city’s budget cuts, we are thankful that the Mayor has heard and responded to some of my pleas regarding the day-to-day operations of my Office that keep the City running.

Some of the most impactful changes with this proposed budget will be in supporting our day-to-day operations, increasing our efficiency and quality of work, while also reducing the City’s exposure to liability. The addition of staff will make a positive impact on payment review and oversight, State Use Tax compliance, protecting critical funds and account reconciliation. Shoring up the Financial Reporting Divisions operations will ensure the City’s capability to continue receiving grant funds and favorable financial ratings. Equally important, the increase in our Office’s Citywide payroll support is a recognition of the complexity and challenge of supporting the new payroll system. The additional staff will go a long way in helping this Office avoid liability from regulatory lapses and employee lawsuits. Beyond the risk of lawsuits, employees who are worried about the accuracy of their pay are more likely to be distracted and demotivated.

## **THE CITY HAS A SERIOUS LACK OF ACCOUNTABILITY AND OVERSIGHT WITH FRAUD, WASTE, AND ABUSE BEING A REAL ISSUE**

Everyone in City government says that we need more transparency, accountability, and oversight, yet City Hall does not fund the office whose sole responsibility is to provide exactly that. **The second largest city in the country currently has eight auditors and five fraud, waste, and abuse (FWA) investigators** to oversee over 40 departments and hundreds of programs, amounting to over \$46 billion annually, when proprietary departments (LADWP, Airports, and Harbor) are included. For context, in FY2004, the Controller's Audit Division had 51 positions.

My Office requested 40 positions across our Audit Services Division and our Fraud, Waste, and Abuse unit to sufficiently provide the accountability and oversight that this City deserves and truly needs. **We did not receive any positions in the proposed budget for these Charter-mandated functions.**

Despite limited resources, our FWA Unit has continued to produce results for the City.

- Their investigative efforts led to the federal indictment of a homeless service provider who is accused of defrauding taxpayers out of **\$23 million**.
- Another investigation found that a department made **\$1.3 million** in reimbursements for carfare and telephone fees to employees who were not eligible under their MOU or any other known departmental reimbursement program.
- More recently, FWA investigators found that a department inappropriately prepaid **\$461,000** by circumventing controls for two vehicle repair lifts that were never received.

There are several more significant cases in the pipeline that we cannot discuss due to strict confidentiality requirements, but they are just as troubling.

Our FWA Unit, which only has five investigators, received 749 cases in 2025, each of which required an evaluation to determine whether the case would be investigated by the FWA Unit or referred to other entities. Based on the current trajectory of incoming cases, the FWA Unit is projected to receive more than 800 cases in 2026. The lack of staffing and growing caseload makes it nearly impossible to sufficiently review and investigate these claims, requiring FWA investigators to refer a greater rate of cases to City departments and other entities. This increases the City's overall level of risk, as non-FWA investigations lack the same level of independence and diligence that is afforded to the FWA Unit because it is situated in the Controller's Office. More investigators would empower the FWA Unit to take on more cases, accelerate investigative timelines, and be more proactive in stopping FWA before it occurs.

But a greater threat to the City's financial integrity is waste. I have great trust in our City employees, but they are under stress. These employees are the cornerstone of our City government yet they are strained and pulled in different directions by understaffing, under-resourcing and by the leadership's failure to provide them with proper support. In such situations, the effort to gain efficiency, identify cost savings, and provide proper oversight of City resources are set aside in the name expedience. In such situations, Audits help City leaders identify opportunities for cost savings and provide recommendations on how to get better results with existing budgetary allocations. Furthermore, establishing a constant watchful presence automatically forces all employees to be more mindful. For example, one of our recent audits revealed critical failures in affordable housing oversight. We found that the City did little to enforce income/rent restrictions, while its inspections of affordable housing did not cite for mold and infestation issues. In addition, the City's lack of financial oversight of its affordable housing inventory was noncompliant with existing regulations and left more projects at risk of collapsing like the Skid Row Housing Trust. LAHD recently reported that it is in the process of implementing recommendations from the audit and our Office will continue to monitor their progress. Audits are not, should not and cannot be just seen as a way to hold up and highlight flaws and shortcomings. They should be seen as tools to improve services and provide better support for the City employees and Departments providing services to our residents.

There are several other large audits close to completion, including assessments of the City's animal shelters, CARE/CARE+ encampment cleanup operations, and Citywide risk management activities to reduce liabilities. Our current audit capacity only allows us to complete 2-3 performance audits per year, which is abysmal for a City of our size. More audit resources would allow the team to take on additional projects based on identified risks and Citywide priorities, including those of the Council and the Mayor.

#### **OUR REQUEST OF THE BUDGET AND FINANCE COMMITTEE AND CITY COUNCIL**

The City's precarious financial condition requires better accountability in the form of performance audits and fraud, waste, and abuse investigations. These functions help save the City money and improve the efficiency and effectiveness of City services. Our recent audits and investigations have shown that there are major oversight gaps throughout the City. Despite these obvious needs, the Audit Services Division continues to be significantly understaffed relative to its Charter-mandated duties and size of the City's budget and operations. Our taxpayers deserve better.

**This is why I am asking to please fund the following 40 audit services and fraud, waste, and abuse positions to give the City the true independent accountability and oversight function it deserves and needs. The total for 9 months funding would be \$3,732,589.**

- **1 Dep Director of Audit (1607-0)**
- **1 Chief Internal Auditor (1619-0)**

- **6 Senior Controller Audit Analyst III (1629-3)**
- **8 Senior Controller Audit Analyst II (1629-2)**
- **10 Senior Controller Audit Analyst I (1629-1)**
- **14 Controller Audit Analyst II (1628-2)**

For context again, in FY2004, the Controller's Audit Division had 51 positions. I appreciate the support for our Office as we strive to fulfil our Charter-mandated responsibilities to oversee the City's tax dollars.

Thank you.



Kenneth Mejia, CPA  
City Controller

Cc: Mitchell Kamin, Chief of Staff to the Mayor  
Matt Hale, Deputy Mayor of Finance, Operations and Innovation  
Sharon Tso, Chief Legislative Analyst  
Matthew W. Szabo, City Administrative Officer

# Office of the Controller Functional Organization Chart (with budget and staffing information)

<p style="text-align: center;"><b>Accounting and Disbursement</b></p> <p><b>Approve</b> Citywide vendor payments;</p> <p><b>Administer</b> Citywide purchasing card and travel programs</p> <p><b>Implement</b> the adopted budget and monitor budget amendments.</p> <p><b>Maintain</b> fund accounts</p> <p><b>Distribute</b> checks issued by the City for vendor payments, workers' compensation, payroll, and wage garnishment.</p> <p><b>FY26 Positions:</b> 40 Regular; 5 Reso</p> <p><b>FY26 Cost:</b> \$4,700,437</p> <p><b>FY26 Budgeted OT:</b> \$149,539</p> <p><b>FY26 Contractual:</b> \$36,132</p> <p><b>Budget Change:</b> 2 new reso positions for payment oversight; 2 new reso positions for fund acct; 1 position upgrade; 1 position regularization for fund accounting.</p>	<p style="text-align: center;"><b>Financial Analysis and Reporting</b></p> <p><b>Provide</b> financial reports and information;</p> <p><b>Receive</b> and monitor tax and grant revenues;</p> <p><b>Guide</b> City departments on reporting of financial data;</p> <p><b>Comply</b> with governmental accounting requirements;</p> <p><b>Calculate</b> and provide indirect cost rates for grant reimbursements and service costing</p> <p><b>FY26 Positions:</b> 21 Regular</p> <p><b>FY26 Cost:</b> \$3,220,208</p> <p><b>FY26 Budgeted OT:</b> \$60,532</p> <p><b>FY26 Contractual:</b> \$0</p> <p><b>Budget Change:</b> 2 new reso positions for CAP and General Acct support; 2 position upgrades for Financial Reporting.</p>	<p style="text-align: center;"><b>Audit</b></p> <p><b>Prepare</b> and issue audits, evaluations, special reviews, research, and whitepapers;</p> <p><b>Provide</b> independent and objective assessments to promote transparency, accountability, efficiency, effectiveness, and improved performance of City operations;</p> <p><b>Investigate</b> allegations of fraud, waste, or abuse</p> <p><b>FY26 Positions:</b> 19 Regular 1 Reso</p> <p><b>FY26 Cost:</b> \$3,027,147</p> <p><b>FY26 Budgeted OT:</b> \$0</p> <p><b>FY26 Contractual:</b> \$350,000</p> <p><b>Budget Change Requested:</b> 40 new positions to expand Audit Services</p>	<p style="text-align: center;"><b>Payroll</b></p> <p><b>Process</b> payroll for all City employees in an accurate and timely manner;</p> <p><b>Manage</b> deductions, benefits payments, tax remittance</p> <p>Implement and compensation plans for City employees based on MOU, Admin Code, Classification and bonus entitlements;</p> <p><b>Maintain</b> and Support HRP – Payroll workstream and Time Keeping workstream;</p> <p><b>FY26 Positions:</b> 23 Regular; 11 Reso</p> <p><b>FY26 Cost:</b> 3,525,685</p> <p><b>FY26 Budgeted OT:</b> \$80,000</p> <p><b>FY26 Contractual:</b> \$20,000</p> <p><b>Budget Change:</b> 2 new reso positions for HRP support. Continuation of 4 new positions approved in CF24-1043 in FY 25-26.</p>	<p style="text-align: center;"><b>Financial Systems</b></p> <p><b>Maintain</b> the integrity of the City's Financial Management System (FMS);</p> <p><b>Support</b> City departments by providing help desk support, security and workflow set up and support, and reporting and business intelligence support;</p> <p><b>Implement</b> new modules, functionality, interfaces, and system updates</p> <p><b>FY26 Positions:</b> 15 Regular</p> <p><b>FY26 Cost:</b> \$2,690,769</p> <p><b>FY26 Budgeted OT:</b> \$0</p> <p><b>FY26 Contractual:</b> \$87,700</p>
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<b>General Administration and Support</b>			
<p><b>Manage</b> all functions within the Controller's Office</p> <p><b>Carry out</b> Charter-mandated responsibilities as Auditor and Accountant</p>	<p><b>Manage</b> all administrative aspects including personnel, budget, contracting, procurement, accounting, technical support,</p>	<p><b>FY26 Positions:</b> 24 Regular</p> <p><b>FY26 Cost:</b> \$4,192,928</p> <p><b>FY26 As-Needed:</b> \$150,000</p> <p><b>FY26 Contractual:</b> \$24,548</p>	<p><b>Budget Change:</b> 1 new reso position to support departmental finance, procurement and facilities administration.</p>