



## City of Lynwood *Follow-Up*

*Despite Taking Some Action to Improve Its Management Practices, the City Continues to Risk Financial Instability and Violations of State Law*

### Summary

Our follow-up audit of the city of Lynwood revealed that the city continues to face several significant risks pertaining to its financial and operational management. Although the city has taken some action to address the nine risk areas we identified in our 2018 audit, it has fully addressed only one, partially addressed six, and plans to address the remaining two risk areas. In this follow-up report, we conclude that Lynwood remains at high risk.



### Key Risks

- **Inadequate financial management:** Despite anticipating that its general fund expenditures will exceed revenue in the near future, Lynwood has not maintained adequate financial reserves nor has it provided sufficient information to its city council about the city's financial condition.
- **Susceptibility to violating state law:** It has not taken enough action to address its continued risk of violating state law related to its use of restricted funds. The city risks making inappropriate transfers to its general fund through a lease arrangement it established for its water and sewer infrastructure. Also, it risks over-reimbursing the general fund from its water and sewer funds for administrative overhead.
- **Ineffective organizational management:** Because Lynwood still lacks a strategic plan that identifies goals, it cannot effectively measure staffing needs. Also, the city management has not provided meaningful guidance to departments on aligning city resources with city goals and priorities for the future.

### Key Recommendations

To help Lynwood continue to address the risks we identified in 2018, we developed recommendations that include the following:

- Adopt and follow best practices in developing its budget and maintaining sufficient financial reserves.
- Comply with state law by determining the overhead costs incurred by the city that can be paid for with water and sewer funds.
- Formalize goals and align planning, budget preparation, and staffing needs assessments with those goals.