



## OFFICE OF THE CITY MANAGER

November 12, 2015

Dear City Employees:

Since the initial investigation in May 2014 of a possible criminal embezzlement scheme against the City of Pasadena by a former employee, the City Council and City management have been committed to finding the truth about what happened, why it happened, and how the City's overall policies and procedures can be refined to prevent a recurrence in the future.

To that end, over the past seventeen months, a number of investigations and reviews have been conducted related to the matter, including the initial City-led investigation by the Human Resources Department; the Los Angeles District Attorney's criminal investigation; the independent forensic audit by accounting firm KPMG; a comprehensive review of the City's financial practices by a citizen Task Force on Financial Administration and Internal Controls; an Ad-Hoc Committee of the City Council; an operational review of the Underground Utility Program; and an outside personnel investigation initiated by the City in March 2015.

Today, I write to inform you that the outside personnel investigation is complete and its confidential findings have been presented to the City Attorney's Office, City Manager's Office, Human Resources Department, and to members of the City Council's Ad Hoc Committee. The only remaining task related to the embezzlement is the outcome of our efforts to recover the funds through our insurance coverage and/or civil lawsuits.

The outside investigator hired by the City Attorney to conduct the independent personnel investigation undertook a comprehensive review of thousands of documents and interviewed fifty-two individuals, both current and former employees, with some individuals interviewed multiple times.

As this investigation is related to personnel, limited information can be shared regarding individuals and detailed analysis and findings. However, I feel it is important to share some of the general fact-finding conclusions:

- The investigation found no evidence to support the notion of internal accomplices and it appears the former employee acted alone. There is no evidence that any City employee past or present knew what he was doing or willfully assisted him in carrying out the thefts.
- A recognized level of trust in the former employee existed in his coworkers and supervisors, which allowed his actions to go unchecked and the alleged crime to continue for multiple years.

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- Customer service took precedence over procedures in the Finance Department to guarantee there were no customer complaints about checks taking too long to issue. Rather than ensuring all procedures were being properly followed and checks and balances were in place, staff embraced the practice of expediency and responsiveness as being critical to good customer service.
- Roles and responsibilities of employees were unclear in both Finance and Public Works. There seemed to be a sense from those that reviewed the invoices that someone else was checking them and therefore they did not need to.
- Additional training needs to be incorporated in the organization. Employees need to take responsibility and know the city's policies and procedures on work they produce. Encouragement of participation in professional organizations where the exchange of ideas and best practices can be fostered would also be beneficial.

Even prior to May 2014, the City had instituted changes in oversight and procedures in the Finance Department and, since last May, several new initiatives have been implemented to further strengthen financial policies, procedures and culture in all City departments. We recently hired an Internal Audit Manager and are implementing the recommendations provided in the KPMG, Management Partners, and citizen Task Force reports.

As you may be aware, there were four employees on leave pending the outcome of the personnel investigation into whether or not they failed to perform their duties as it related to preventing the embezzlement. Two retired prior to any formal outcome and the other two remain employed by the City. Since this is a personnel issue, discipline imposed, if any, remains confidential.

We take very seriously both the crime committed against the City of Pasadena and the comprehensive efforts and recommendations of all who spent time with an eye towards improving our financial management and internal controls. I know you join me in recommitting ourselves to the pursuit of excellence on behalf of the citizens of this great city.

Sincerely,



Michael Beck  
City Manager