

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

July 2013



JOHN CHIANG
California State Controller

July 30, 2013

Matthew J. Fertal, City Manager
City of Garden Grove
Garden Grove Agency for Community Development/Successor Agency
11222 Acacia Parkway
Garden Grove, CA 92840

Dear Mr. Fertal:

Pursuant to Health and Safety (H&S) Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Garden Grove Agency for Community Development to the City of Garden Grove or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether it should be turned over to the Successor Agency.

Our review applied to all assets including but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City of Garden Grove or any other public agencies have been reversed.

Our review found that the Garden Grove Agency for Community Development (RDA) appropriately transferred \$138,228,834 in assets to the City of Garden Grove and the Successor Agency. These assets consisted of \$131,883,676 in current assets and \$1,860,461 in capital assets transferred to the Successor Agency; and \$4,484,697 in current assets transferred to the City of Garden Grove. We did not identify any unallowable transfers of assets that occurred during the review period between the RDA, the City of Garden Grove, and/or other public agencies.

If you have any questions, please contact Steven Mar, Bureau Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/nh

cc: Jan E. Grimes, Auditor-Controller
Garden Grove Community Development/Successor Agency
County of Orange
Kingsley Okereke, Finance Director
Garden Grove Community Development/Successor Agency
City of Garden Grove
William J. Dalton, Chair of the Oversight Board
Garden Grove Community Development/Successor Agency
City of Garden Grove
Steven Szalay, Local Government Consultant
Department of Finance
Richard J. Chivaro, Chief Legal Counsel
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Division of Audits, State Controller's Office

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Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Garden Grove Agency for Community Development after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the Garden Grove Agency for Community Development (RDA) appropriately transferred \$138,228,834 in assets to the City of Garden Grove and the Successor Agency. These assets consisted of \$131,883,676 in current assets and \$1,860,461 in capital assets transferred to the Successor Agency; and \$4,484,697 in current assets transferred to the City of Garden Grove. We did not identify any unallowable transfers of assets that occurred during the review period between the RDA, the City of Garden Grove, and/or other public agencies.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of RDAs, "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date on which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO did not identify any transfers of assets that occurred after January 1, 2011, between the RDA, the City of Garden Grove, and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

Objective, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the Garden Grove City Council, RDA, Successor Agency, and Oversight Board.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the Garden Grove Agency for Community Development (RDA) appropriately transferred \$138,228,834 in assets to the City of Garden Grove and the Successor Agency. These assets consisted of \$131,883,676 in current assets and \$1,860,461 in capital assets transferred to the Successor Agency; and \$4,484,697 in current assets transferred to the City of Garden Grove. We did not identify any unallowable transfers of assets that occurred during the review period between the RDA, the City of Garden Grove, and/or other public agencies.

Views of Responsible Officials

At an exit conference on June 7, 2013, we discussed the review results with Kingsley Okereke, Finance Director; Jim Dellalonga, Senior Project Manager; Hershhal Skidmore, Finance Manager; and Ellis Chang, Accounting Supervisor, who agreed with the review results. They further agreed a draft review report was not necessary and we could issue the review report as final.

Restricted Use

This report is solely for the information and use of the City of Garden Grove, the Garden Grove Agency for Community Development/ Successor Agency, the Oversight Board, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

July 30, 2013

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