

# **IRWINDALE COMMUNITY REDEVELOPMENT AGENCY**

## **ASSET TRANSFER REVIEW**

### Review Report

*January 1, 2011, through January 31, 2012*



**JOHN CHIANG**  
California State Controller

November 2014



**JOHN CHIANG**  
*California State Controller*

November 26, 2014

John Davidson, City Manager  
City of Irwindale/Successor Agency  
5050 N. Irwindale  
Irwindale, CA 91706

Dear Mr. Davidson:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Irwindale Community Redevelopment Agency (RDA) to the City of Irwindale (City) 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 the asset 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 to the City or any other public agency have been reversed.

Our review found that the RDA transferred \$126,979,659 in assets after January 1, 2011, including unallowable transfers to the City totaling \$43,067,951, or 33.92% of the transferred assets. However, the following corrective actions have been taken:

- On March 14, 2013, the City remitted \$3,639,235 in cash to the Los Angeles County Auditor-Controller.
- On August 28, 2013, the City turned over land held for resale totaling \$39,423,045 to the Successor Agency.
- On September 22, 2014, the City turned over \$5,671 in cash to the Successor Agency.

Therefore, no further action is necessary.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622 or by email at [egonzalez@sco.ca.gov](mailto:egonzalez@sco.ca.gov).

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/sk

cc: John Naimo, Auditor-Controller  
Los Angeles County  
Bill Scroggins, Oversight Board Chair  
Irwindale Community Redevelopment/Successor Agency  
Eva Carreon, Finance Director  
City of Irwindale  
David Botelho, Program Budget Manager  
California Department of Finance  
Richard J. Chivaro, Chief Legal Counsel  
State Controller's Office  
Elizabeth González, Bureau Chief  
Division of Audits, State Controller's Office  
Betty Moya, Audit Manager  
Division of Audits, State Controller's Office  
Tuan Tran, Auditor-in-Charge  
Division of Audits, State Controller's Office  
Margaux Clark, Auditor  
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 Irwindale Community Redevelopment Agency (RDA) 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 RDA transferred \$126,979,659 in assets after January 1, 2011, including unallowable transfers to the City of Irwindale (City) totaling \$43,067,951, or 33.92% of transferred assets.

However, the following corrective actions have been taken:

- On March 14, 2013, the City remitted \$3,639,235 in cash to the Los Angeles County Auditor-Controller.
- On August 28, 2013, the City turned over land held for resale totaling \$39,423,045 to the Successor Agency.
- On September 22, 2014, the City turned over \$5,671 in cash to the Successor Agency.

Therefore, no further action is necessary.

## 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 and oversight boards 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 (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states in part, ". . . the Controller shall review the activities of redevelopment agencies in the state 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."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or any other public agency. 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 action 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's operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the RDA, the Successor Agency, and the 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 Irwindale Community Redevelopment Agency transferred \$126,979,659 in assets after January 1, 2011, including unallowable transfers to the City of Irwindale (City) totaling \$43,067,951, or 33.92% of transferred assets.

However, the following corrective actions have been taken:

- On March 14, 2013, the City remitted \$3,639,235 in cash to the Los Angeles County Auditor-Controller.
- On August 28, 2013, the City turned over land held for resale totaling \$39,423,045 to the Successor Agency.
- On September 22, 2014, the City turned over \$5,671 in cash to the Successor Agency.

Therefore, no further action is necessary.

Details of our finding are described in the Finding and Order of the Controller section of this report.

**Views of  
Responsible  
Officials**

We issued a draft review report on August 29, 2014. Eva Carreon, Director of Finance, responded by email on September 22, 2014 and on October 3, 2014. The City agrees with the results of our review. The City's responses are included in the final report.

**Restricted Use**

This report is solely for the information and use of the City of Irwindale, the 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

November 26, 2014

# Finding and Order of the Controller

## **FINDING— Unallowable asset transfers to the City of Irwindale**

The Irwindale Community Redevelopment Agency (RDA) made unallowable asset transfers of \$43,067,951 to the City of Irwindale (City). The transfers occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011.

The unallowable asset transfers were as follows:

- On March 17, 2011, the RDA transferred a total of \$3,639,235 in cash to the City. The transfer appropriated Low- and Moderate-Income Housing funds to the City to benefit project areas in accordance with Resolutions 2011-14-2500 and CRA 2011-06-542.
- On June 30, 2011, the RDA transferred a total of \$39,423,045 in land held for resale to the City, in accordance with a Cooperation Agreement between the City and the RDA and Resolutions 2011-13-2499 and CRA 2011-05-541.
- On January 31, 2012, the RDA transferred \$5,671 in cash to the City. The transfer was repayment of interest on a June 8, 2011 advance from the City for operating expenses, per RDA Resolution No. CRA 2011-11-547.

Pursuant to Health and Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The assets must be turned over to the Successor Agency for disposition in accordance with H&S Code sections 34177(d).

### Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfers in the amount of \$43,067,951, and turn the assets over to the Successor Agency.

However, on March 14, 2013, the City remitted unencumbered cash in the amount of \$3,639,235 to the Los Angeles County Auditor-Controller. In addition, on August 28, 2013, the City turned over land held for resale in the amount of \$39,423,045 to the Successor Agency through a Joint Resolution (SA 2013-43-2637) among the City, the Successor Agency, and the Irwindale Community Housing Authority. Lastly, on September 22, 2014, the City turned over \$5,671 in cash to the Successor Agency. Therefore, no further action is necessary.

### City's Response

The City would like to clarify its response as it relates to the March 17, 2011 transfer of \$3,639,235 to the City. The transfer in question was a prepayment of loans from the City to the former redevelopment agency. As a result of the reversal of the March 17, 2011 transfer, this loan remains unpaid. The Successor Agency reserves all rights to repay this



loan pursuant to Health & Safety Code section 34191.4(b) and will take all steps necessary to ensure such repayment is made.

. . .the return of the unallowable transfer of \$5,671 identified on the report has been refunded to the Irwindale Successor Agency via an internal journal entry between the City's General Fund (Fund 01) and the Irwindale Successor Agency Fund (Fund 50).

SCO's Response

The SCO reviewed the City's additional documentation provided with its response on September 22, 2014, and accepts the City's corrective action. The order of the Controller has been changed to reflect the corrective action. No further action is necessary.

**Schedule 1—  
Unallowable Asset Transfers to  
the City of Irwindale  
January 1, 2011, through January 31, 2012**

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## Unallowable transfers to the City of Irwindale

## Current assets:

Cash transfer to the City (March 17, 2011)	\$ 3,639,235
Real property transfer to the City (June 30, 2011)	39,423,045
Cash transfer to the City (January 31, 2012)	<u>5,671</u>

Total unallowable transfers to the City 43,067,951

City remitted cash to the Los Angeles County Auditor-Controller (March 14, 2013) (3,639,235)

City turned over RDA property to the Successor Agency (August 28, 2013) (39,423,045)

City turned over cash to the Successor Agency (September 22, 2014) (5,671)

Total transfers subject to H&S Code section 34167.5 \$ —

**Attachment—  
City's Response to  
Draft Review Report**

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## Clark, Margaux

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**From:** Eva Carreon <ecarreon@ci.irwindale.ca.us>  
**Sent:** Friday, October 03, 2014 5:05 PM  
**To:** Clark, Margaux  
**Cc:** Tran, Tuan M.  
**Subject:** RE: Asset Transfer Review draft report  
**Attachments:** Draft Asset Transfer Review-Irwindale Community Redevelopment Agency

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

~~← Margaux,~~

~~On September 22, 2014, the City of Irwindale responded to the State Controller's draft report on the Asset Transfer Review for the former Irwindale Community Redevelopment Agency. Attached is a copy of the email sent to Elizabeth Gonzalez on September 22<sup>nd</sup> after speaking with her over the phone regarding the handling of the remaining unallowable transfer.~~

~~After receiving your email below, we realized my message to Ms. Gonzalez may not have transmitted successfully as we were having troubles with our email system at that time. Therefore we are resending our written response with the added clarification below from our City Attorney's office:~~

~~The City would like to clarify its response as it relates to the March 17, 2011 transfer of \$3,639,235 to the City. The transfer in question was a prepayment of loans from the City to the former redevelopment agency. As a result of the reversal of the March 17, 2011 transfer, this loan remains unpaid. The Successor Agency reserves all rights to repay this loan pursuant to Health & Safety Code section 34191.4(b) and will take all steps necessary to ensure such repayment is made.~~

~~Please let me know if there is anything else you need from us.~~

Thank you,

*Eva Carreon*  
Director of Finance  
**City of Irwindale**  
5050 N Irwindale Avenue  
Irwindale, CA 91706  
(626) 430-2221

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~~**From:** MClark@sco.ca.gov [mailto:MClark@sco.ca.gov]  
**Sent:** Monday, September 29, 2014 4:36 PM  
**To:** Eva Carreon  
**Cc:** TXTran@sco.ca.gov  
**Subject:** Asset Transfer Review draft report~~

~~Good afternoon Eva,~~

~~Tuan and I would like to follow up with you regarding the ICRA Asset Transfer Review draft report issued on August 29, 2014. We have not received a written response to the draft and we would like to confirm that it is acceptable to issue the final report without the City's response.~~

**Clark, Margaux**

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**From:** Eva Carreon <ecarreon@ci.irwindale.ca.us>  
**Sent:** Monday, September 22, 2014 5:46 PM  
**To:** Gonzalez, Elizabeth  
**Cc:** John Davidson; Fred Galante  
**Subject:** Draft Asset Transfer Review-Irwindale Community Redevelopment Agency  
**Attachments:** Draft Asset Transfer Review Letter & Report.pdf; Returned Unallowable Transfer Journal Entry.pdf

Good Afternoon Elizabeth,

The City of Irwindale received the attached draft report of the Asset Transfer Review for the former Irwindale Community Redevelopment Agency. We have reviewed this report and we are in agreement with the results of the review. Per our conversation from last Thursday, September 18, 2014, this message will serve as our formal response to this draft report.

As we also discussed, the return of the unallowable transfer of \$5,671 identified on the report has been refunded to the Irwindale Successor Agency via an internal journal entry between the City's General Fund (Fund 01) and the Irwindale Successor Agency Fund (Fund 50). Attached is a report of the transfer via Journal Entry No. 090-03-2015.

Please advise if there is anything else you need from the City of Irwindale.

Thank you,

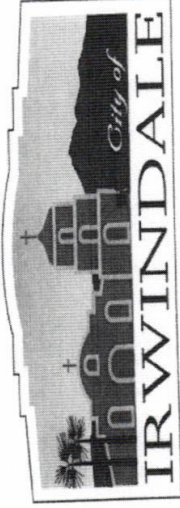
*Eva Carreon*

Director of Finance  
**City of Irwindale**  
5050 N Irwindale Avenue  
Irwindale, CA 91706  
(626) 430-2221

# General Ledger

## Journal Entry

User: ecairreon  
 Printed: 9/22/2014 - 4:10 PM  
 Batch: 00009.09.2014



Account Number	Account Description	Debit Amount	Credit Amount	Line Description	System Reference	Project Management
Journal Entry Date: 09/22/2014						
01-14-140-42300-0000	Contractual Services	5,671.00				
01-00-000-10100-0000	Cash - General Checking Account	0.00	5,671.00	0.00 Return Unallowed Asset Tran:		
50-00-000-10100-0000	Cash - General Checking Account	5,671.00		0.00 Return Unallowed Asset Tran:		
50-00-000-37100-0000	Other & Miscellaneous Income	0.00	5,671.00	0.00 Return Unallowed Asset Tran:		
Journal Entry Totals		11,342.00	11,342.00			
Journal Entry Balance		0.00				
Report Totals:		11,342.00	11,342.00			

*Duan*

*Ersson*

**State Controller's Office  
Division of Audits  
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Sacramento, CA 94250-5874**

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