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Audit XVIII - RDA Funds 37, 38, 39

Fund 37 has a \$2 Million Discrepancy, Fund 38 has a \$688,000 Discrepancy, & Fund 39 is a Ghost Account that spent \$2 Million in 11 Months.

Posted by [Libi Uremovic](#), April 18, 2013 at 02:29 pm

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Last audit was focused on Fund 36 – RDA Capital Projects. This audit will cover the other three (3) RDA Fund Accounts found in the General Ledger from July, 2010 through February, 2013 .

Fund 37 – RDA Debt Service

The Budget states this fund is used: “ to account for the tax increment received for the redevelopment project area and the related expenditure on the debt incurred.” This fund is used to account for revenue collected through RDA and payments made to other government agencies.

2010-2011 Budget projects revenue at \$2,260,000. The 2011 RDA GAAP Audit lists revenue at \$2,759,063. The General Ledger lists actual revenue at \$3,283. The GAAP Auditors 'missed' a \$2 million discrepancy.

2011-2012 Budget project revenue at \$752,000. The 2012 GAAP Audit has yet to be released. The General Ledger lists revenue at \$1,682,672.49, but \$1,679,359.49 is transferred in and out on 01/13/12 leaving actual revenue at \$3,313 FYE 2012.

2012-13 Budget has no revenue or expenses listed. The General Ledger lists no revenue in Fund 37 for the first six months of the 2012-2013 budget and only one expense - \$988,826.35 to the Riverside County Auditor/Controller.

In the last two fiscal years this account was used to pay eight (8) different government agencies. Payments were made on 10/22/10, 05/24/12, and 06/01/12 totaling \$1,339,763.26. The payments were made through this account, but the money was transferred in from the General Fund instead of

using the tax revenue that is specifically allocated for the debt.

Beaumont Library District - \$55,494.06

Beaumont Cemetary District - \$374,176.75

Beaumont Unified - \$443,021.18

Mt. San Jacinto Jr. College - \$124,822.24

Riv Co Super of Schools - \$142,873.99

Riv Co Flood Control - \$99,422.97

San Gorgonio - \$51,602.17

San Gorgonio Pass - \$48,349.90

Fund 37 has various random entries listed:

Account Number 7010 - CUR SECURED PERS PROP - This account is located in the General Fund Administration accounts, but in 2010-2011 a total of \$2,795,950.12 was transferred through Fund 37 in eleven (11) transactions. In 2011-2012 there were two (2) transactions totaling \$1,307,334.43 coded to the PERS fund. As of February there is only one entry listed FYE 2013 in Fund 37 - payment to the Riverside Auditor/Controller for \$988,826.35.

This close to million dollar payment was not disclosed to the Public or listed on the Check Warrant.

Transaction 207206 - Fund 37 has the following 207206 transactions added to the account:

Cash added - \$15,136,625.42

Cash removed - \$15,796,555.81

Account Payable added - \$645,569.25

Unreserved Fund Balance added - \$56,242.64

Unreserved Fund Balance added - \$56,242.64 – this entry is repeated twice

Debt Service – The City also laundered \$1,700,000 through this account on 06/30/11 by adding to Cash and removing it through code 6900 – Debt Service. There is also \$270,727 in Contract Services that is unexplained.

Fund 38 – RDA Low/Moderate Housing

Budget describes this fund's use: "to account for the 20% tax increment received for low/moderate income housing in the redevelopment project area".

2010-2011 Budget lists revenue & expenses at \$760,000 each; 2011-2012 Budget lists revenue & expenses at \$2,251,000 each, and the 2012-13 Budget listno revenue or expenses in this department.

2011 GAAP Audit lists Fund 38 revenue at \$699,131 and expenses at \$659,987.

General Ledger lists 2011 revenue at \$10,186.10 and accounted for the money as 'Interest'. There is also \$691,000 transferred through this fund using account 7010 - Cur Secured PERS Prop.

This Account had only one Contract Services Expense in 2011: \$39,144.60 to Beaumont Electric on 05/05/11.

Fund 38 also has four 207206 transactions:

Cash in - \$139,161.51

Cash-Interfund out - \$1,908,229.02

Unreserved Balance - \$1,387,404.04

Unreserved Balance - \$1,387,404.04 – this transaction is entered twice.

2012 Budget lists revenue & expense at \$2,251,000. The last transactions in Fund 38 are made in January, 2012. The General Ledger FYE 2012 lists \$10,186 cash into the account and \$2,292,031.52 transferred out. The General Ledger also shows FYE 2012 there was \$71,910.63 paid to Urban Logic Consultants, \$306,508.85 transferred through Cur Secured PERS Prop, and \$2,281,845.52 for Contract Services, but Payee is not listed.

Fund 39 – Not Listed On Budget.

Fund 39 is not listed on the budget or financial statements, but there are transactions coded to fund 39 in the General Ledger. FYE 2011 on 09/10/10 \$62,764.18 was transferred into this account and paid to 'Beau-Cherry Valley' as 'Deposit'. On 06/30/11 \$263,092.48 Cash was taken from this account and credited to 'Deposits', but this account has no cash or funding.

This account also has three (3) 207206 transactions:

Cash out - \$874,774.22

Cash interfund in - \$156,411.81

Deposits in - \$718,359.41

A total of \$959,202.78 was spent through Fund 38 in the year 2011-2012 - \$120,421.73 Cash taken from the fund and \$838,781.05 transferred through the fund to pay \$583,916.27 to Christian Brothers Engineering; another \$185,272.84 to Beau-Cherry Valley Water Authority; and \$69,591.94 to an Unknown Recipient. These transactions are listed on the Check Warrants. Beaumont-Cherry Valley Water Authority Checks #077248 notes 'Improvement Plan' and #077662 notes 'Capital Improvements' instead of 'Utilities'.

From 06/30/11 to 05/24/12 total of \$2,159,830.66 was moved through this fund account:

Christian Brothers Engineering \$561,581.60

Beaumont-Cherry Valley Water \$339,963.63

Unknown Recipient \$1,258,285.43

Funds to Pay Christian Brothers & Beaumont-Cherry Valley were transferred in from the General ledger. Of the Unknown Recipient \$874,771.22 is a 207206 Transaction and \$383,514.21 Cash came from an unknown source.

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Libi Uremovic April 19, 2013 at 01:21 pm

'...The 2011 RDA GAAP Audit lists revenue at \$2,759,063. The General Ledger lists actual revenue at \$3,283. The GAAP Auditors 'missed' a \$2 million discrepancy....'

'...2011 GAAP Audit lists Fund 38 revenue at \$699,131 ...General Ledger lists 2011 revenue at \$10,186.10...' '...Fund 39 - Not Listed On Budget....From 06/30/11 to 05/24/12 total of \$2,159,830.66 was moved through this fund account:...' millions of dollars of material misstatements ...by the city and auditors.....

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Libi Uremovic April 19, 2013 at 01:28 pm

'...Beaumont Cemetary District - \$374,176.75...' '...Beaumont Unified - \$443,021.18...'

the city pays almost as much for cemeteries as they do for the schools....?? does anyone know why the cemetery district contribution is so high?

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Jeremiah Price April 19, 2013 at 02:48 pm

Libi - can you clear something up for me? Does the city work on a Jan 1 - Dec 31 basis or July 1 - June 30? I'm getting the idea that the GAAP audits go from Jan - Dec and the State Controller audits go from July - June. Is that correct? This is really complicated by the State rip-off of our redevelopment funds starting in 2011, too. Does it show anywhere how much of a hit we as citizens took that was paid to the State? Could that be the payment to the Riverside Auditor Controller? Like I said, your forensic audit work is good and I'm trying to carefully understand it and go through it. Thanks!

Jeremiah

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Libi Uremovic April 19, 2013 at 03:08 pm

gaap audits are for the fiscal year of the entity ...the city of beaumont's fiscal year runs from july 1st through june 30th...

i don't know what happened, but the 2011 rda gaap audit is signed in december 2011 and the regular 2011 gaap audit is signed in july 2012.....both audits should have been completed at the same time... there is no more rda audits....so we'll see if the city and gaap auditors declare fund 39 on the books...and explain where the money came from.... '...the State rip-off of our redevelopment funds starting in 2011...' the state was right to close down rda.....on the books it's a horror show and the main reason cali states went bankrupt in 2011...almost every city in cali ran up massive debt in 2011 for fear they would be stopped from running up massive debt....

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Jeremiah Price April 19, 2013 at 08:22 pm

Thanks - that helps me understand it a little better. I was just wondering if all those transfers and stuff were to keep money back from the State by transferring it into non-RDA accounts. I know other cities have gotten caught doing that - don't know if Beaumont is doing that or not. Does the money the State takes now that used to go for RDA get put back into voter-approved projects in the city which it is taken from? or is it used to retire or finance debt the State version of corruption has run up?

Jeremiah

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Michelle C April 22, 2013 at 05:43 pm

Tell me is the city going to have to answer these questions as to all of the discrepancies? I'd like to hear what they have to say!

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Jeremiah Price April 23, 2013 at 12:37 am

I haven't been to one yet so I don't know how they are run, but I was told that the city leaders hold what they call BCAT meetings on the 1st Wednesday of each month at 6pm. I'm going to the next one to see. Hopefully Judy and Libi will provide me with a refined list of 5 points that can be asked for answers from the council. I would like to avoid confrontation at this meeting - just politely listen to

their answers and then present those answers here and compare them with what Libi has found to see if they hold water. I would like to have the list in enough time for the City to prepare their best answer so they can't use the "sandbagged" excuse to not answer.

Jeremiah

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Ken April 23, 2013 at 01:23 am

A good starting point would be to enlighten everyone to the fees GGMS and Urban Logic have helped themselves to over and beyond the salaries they have been drawing as "contract employees".

*In Mr Kapanicas' case this would be from 1993-2011 as "contract employee" and after 2011 as City employee.

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Ken April 23, 2013 at 01:35 am

As nearly EVERY BOND sale is worded fees are contingent upon sale of said Bond for payment to GGMS and Urban Logic.

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Libi Uremovic April 23, 2013 at 08:39 am

the diners' club records have not been released and there still is no 2012 gaap audit that was suppose to be completed months ago..

the debt is the main issue.... health care scam....bid scam.....buddies on the payroll scam....no city clerk scam.....out of control police is probably more important to the citizenry.. city officials and gaap auditors conspired to deceive the public on 02/19/13..it's not likely they're going to be truthful now...

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Washy April 23, 2013 at 09:19 am

I have looked at everything you offered you have shown no healthcare scam. When will you understand your hysterical talking turns people of (once they start looking at records themselves) Also you did not request the invoices BUT SEVEN DAYS AGO....(they are not attachments you can say you did but you didn't) So they have FOURTEEN more days (remember I showed you the law)

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Jeremiah Price April 23, 2013 at 01:12 pm

I am going to go by the city center after lunch and see what is going on. By the way, (and this is for everybody, not just Judy and Libi) who all are going to take the time for the BCAT meeting on Wednesday, May 1st @ 6pm? I still need up to 5 specific questions for them to answer. I mean specific, too - not accusations of wrongdoing, but specific questions of accounting. The time for accusations is if the questions are avoided or the answers are not specific and satisfactory. And I wish to submit the questions to Alan Kapanicas and David Castaldo prior to the meeting so that they can be properly prepared to answer. Enough of the witch-hunt mentality here - the purpose is to get answers for the inequities that Libi has found. If things add up, that's the end of it on those issues. If they don't, then it will be time for the residents to obtain an attorney and file against the city. The thing with the DA and AG and FBI and Grand Jury and all the rest just isn't working.

Jeremiah

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Washy April 23, 2013 at 03:59 pm

My question is why we cannot see where David Castaldo has made each and all of his "loan payments" and how is the city functioning as a bank

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Beaumont Citizen April 23, 2013 at 05:05 pm

Yes, thats a good question. He purchased property for his propane business from the city using an RDA loan. He supposedly paid the loan and interest of 11% for 10 years, but those records haven't been seen, then records show the loan was suspended for years with the story being some kind of cleanup was transpiring. No loan payments made for three years. Then, the last RDA audit showed that the city took the balance of his loan and lowered it by 10s of thousands of dollars as some kind of settlement. We would like to see: the original inspection report spelling out this substance and cleanup by the EPA, not just local contractor friends stating their opinion, all the receipts for cleanup spanning those three years, and the settlement papers from the city explaining all the details of why they changed the loan amount, recalculated all his prior payments, and ended up with the new balance.

We have one councilman being sued for owing a large sum of money to a prior councilwoman. He also takes payday loans from the city just about every month. Then we have a councilman who's loan with the city is lowered substantially in his favor, and no one has seen any details of how or why.

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Jeremiah Price April 23, 2013 at 05:11 pm

I thought at one time Libi had posted something about that showing the dates and amounts of the payments. I'm not knowledgeable enough on all this to know if there is more than one financial transaction being talked about here - the only one that I am aware of and have spoken with Mr. Castaldo about is actually a mortgage set up with the city years ago which the city holds the paper on. Beyond that I am in the dark. I am hoping to see you at the BCAT meeting and have you ask that question directly and get an answer that one way or another will stop all this craziness. I am just as curious as you about the truth but there has been so much mud slung that the actual important and real issues are getting lost in the shuffle.

Jeremiah

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Jeremiah Price April 23, 2013 at 05:51 pm

I just stopped by the Civic Center and was told that Judy stopped by and picked up the documents this morning. They were ready yesterday - just as Alan Kapanicas and David Castaldo said they would be. Regardless of the wild posts, I got nothing but politeness and cooperation from these folks when I went in to speak to them. We will now see how things go May 1st.

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Washy April 23, 2013 at 06:39 pm

She did but it showed a huge chunk written off or something want to know why

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Beaumont Citizen April 23, 2013 at 06:58 pm

Its all one loan. The only payments he showed was a list of resumed payments after the loan was lowered. We've seen none for the first 10 years, and no official documentation that shows what kind of cleanup, what agency like the EPA did the required inspections, none of the payments for three years for this cleanup, and none of settlement documents from the city with info on who deemed it ok to change the entire contract of this loan over 10 years after the fact.

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Libi Uremovic April 23, 2013 at 07:16 pm


the payments from castaldo are in fund 36 - which is the audit before..i only

have the records starting 07/01/10 and there are no loan payments until november, 2011....there's been \$592.66 interests charged on the 1st two payments, but no interest charged since...

the date on the deed is 10/04/1999...1st payment listed on the genera ledger and paper castaldo passed out is dated 11/01/2011....


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 **Libi Uremovic** April 23, 2013 at 07:18 pm
the city turned over the diners' club invoices to judy, so we'll see how the \$90,000 was spent last year...

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 **Jeremiah Price** April 29, 2013 at 11:49 pm
I have to apologize to everyone - I was going to go to the BCAT meeting Wednesday but today I was scheduled by my employer to work in Hesperia from 7pm to 4am so I will be unable to go. I hope everyone else will go anyway, and I will try again for the next one. I want in particular to find out what Fund 39 is about and where the money from it went. Also why none of the audits appear to agree on balances, deposits, expenditures, and flow-throughs for all these funds which Libi has examined.

If someone was to attend the meeting and ask David Castaldo in person concerning the mortgage that was reduced, he has an explanation that holds water as far as I am concerned. It is not my place to reveal another person's business, but he was very forthcoming when we talked and offered to speak with anyone who asks. I still have many many questions on the accounting - but on this one I am satisfied that there is no attempt to defraud the public and if anything he has lost money on the deal. Really waiting to hear on the Diner's Club invoices and see what "illegal" stuff created such a hoopla for so long?

Jeremiah

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