

FOLLOW-UP REPORT

Urban Renewal in Denver

April 2016

Office of the Auditor
Audit Services Division
City and County of Denver



Timothy M. O'Brien, CPA
Denver Auditor



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You can obtain copies of this report by contacting us:



Office of the Auditor

201 West Colfax Avenue, #705
Denver CO, 80202
(720) 913-5000 ♦ Fax (720) 913-5247

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Timothy M. O'Brien, CPA
Auditor

City and County of Denver

201 West Colfax Avenue, #705 • Denver, Colorado 80202

720-913-5000 • Fax 720-913-5253 • www.denvergov.org/auditor

April 19, 2016

Brendan Hanlon, Chief Financial Officer
Department of Finance
City and County of Denver

Re: Audit Follow-Up Report

Dear Mr. Hanlon:

In keeping with generally accepted government auditing standards and the Audit Services Division's policy, as authorized by D.R.M.C. § 20-276, our Division has a responsibility to monitor and follow-up on audit recommendations to ensure audit findings are being addressed through appropriate corrective action and to aid us in planning future audits.

This report is to inform you that we have completed our follow-up effort for the Urban Renewal in Denver audit issued August 15, 2014. Our review determined that the Department of Finance has adequately implemented all of the recommendations made in the audit report.

For your reference, this report includes a Highlights page that provides background and summary information on the original audit and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for each recommendation.

This concludes audit follow-up work related to this audit. I would like to express our sincere appreciation to you and to Department of Finance personnel who assisted us throughout the audit and follow-up process. If you have any questions, please feel free to contact me at 720-913-5000 or Robyn Lamb, Internal Audit Supervisor, at 720-913-5046.

Denver Auditor's Office

A handwritten signature in black ink, appearing to read "Timothy M. O'Brien".

Timothy M. O'Brien, CPA
Auditor



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Status

The Department of Finance has implemented all recommendations made in the August 2014 audit report.

Background

The Colorado Urban Renewal Law was enacted in 1958, and the Denver Urban Renewal Authority (DURA) was created shortly thereafter. DURA was created to help eliminate slum housing conditions. Over time, DURA's focus has widened to address redevelopment.

DURA originally pursued federal grants to fund its activities. Over time, these funds dwindled and the absence of urban infrastructure on redevelopment sites required major public investment to make redevelopment possible. In order to finance the needed infrastructure, urban renewal areas were created, which enables financing of the infrastructure necessary for redevelopment by utilizing the future taxes generated by the sites themselves.

Purpose

The purpose of the audit was to assess the City's relationship with DURA, including the process for designating Tax Increment Financing (TIF) Areas and of the use of TIF funds generally.

REPORT HIGHLIGHTS

Highlights from Original Audit

Our work indicated that several City agencies, as well as the public, are involved when Tax Increment Financing (TIF) Plans, Areas, and projects are established. Once established, the Denver Urban Renewal Authority (DURA) is responsible for ensuring that the blight identified is remediated by the redevelopment project.

DURA's statutory status as a body corporate and politic makes it a separate legal entity and therefore limits the City's authority over DURA activities. Despite limited oversight authority, the City has a connection with DURA through the Cooperation Agreements developed for TIF Areas. As a result, the City is in a logical position to help ensure the propriety of the forgone property, sales, and lodger's taxes it collects on behalf of DURA and the redevelopment projects these tax revenues funded. Visibility into TIFs and TIF-funded projects is critical to help show City benefits from these redevelopment projects and to ensure a positive public perception of DURA activities.

The audit identified three types of information the City could request from DURA that would provide it and other stakeholders with additional detail on TIF Areas and TIF funding of redevelopment projects. Specifically, the City could create a consolidated repository of TIF Cooperation Agreements, publish a list of active Urban Renewal Plans and TIF Areas, and regularly publish information about urban renewal activity.

Findings at Follow-up

Our follow-up work determined that the Department of Finance (DOF) implemented all three recommendations made in the audit report. DOF worked with the City's Office of the Clerk and Recorder to ensure records were accurate and complete. In February 2015, DOF developed a consolidated list of active TIF areas with links to the cooperation agreements retained by the Office of the Clerk and Recorder. This listing was recently updated in March 2016, with plans to update the listing on an annual basis. DOF also now provides a link to the DURA website, which contains information on urban renewal activity by redevelopment project.

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Audit Contact Person: Robyn Lamb | 720.913.5046 | Robyn.Lamb@denvergov.org

Recommendations: Status of Implementation

Recommendation	Auditee Action	Status	
Finding: Additional Tax Increment Financing Information Can Be Made Available to Stakeholders			
<p>1.1</p>	<p>The Chief Financial Officer should create a consolidated repository of Tax Increment Financing (TIF) cooperation agreements.</p>	<p>The Department of Finance (DOF) worked with the Denver Office of the Clerk and Recorder to make sure records were accurate and complete and that records were not duplicated. DOF developed a consolidated list of active TIF areas with links to the cooperation agreements retained by the Office of the Clerk and Recorder.</p>	<p>Implemented</p>
<p>1.2</p>	<p>The Chief Financial Officer should publish a list of active Denver Urban Renewal Plans and TIF areas.</p>	<p>In February 2015, DOF developed a consolidated list of active TIF areas. Each TIF listing includes the reference number for the corresponding cooperation agreement and a link to the agreement as retained by the Office of the Clerk and Recorder. The list was produced in conjunction with the Denver Urban Renewal Authority (DURA) and is accessible from the DOF's webpage. DOF will annually update the list of active TIF areas; the most recent update occurred in March 2016.</p>	<p>Implemented</p>

Recommendations: Status of Implementation

Recommendation	Auditee Action	Status
1.3	The Chief Financial Officer should include urban renewal reporting on the Transparent Denver webpage to periodically report comprehensive urban renewal activity to the City and other stakeholders.	In conjunction with implementing Recommendation 1.2, DOF updated its website with a link to the DURA website, where visitors can learn about urban renewal activity by redevelopment project. DOF determined that this was more efficient than including urban renewal reporting on the City's website. The link to the DURA website is also accessible within the consolidated list of active TIF areas that was developed in conjunction with Recommendation 1.2.

Conclusion

We found that the Department of Finance has fully implemented all recommendations and adequately mitigated the risk identified during the original audit. As a result, we conclude our follow-up effort related to the Urban Renewal in Denver audit.

On behalf of the citizens of the City and County of Denver, we thank staff and leadership from the Department of Finance for their cooperation during our follow-up effort and their dedicated public service.