



City of San Antonio

Agenda Memorandum

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AUDIT COMMITTEE SUMMARY

February 21, 2017

Follow-up Audit of Tax Increment Reinvestment Zone Operations

Report Issued October 19, 2016

Objective

The objective of the follow-up audit was to determine if Planning and Community Development management effectively implemented action plans to address prior audit recommendations in the TIRZ audit.

Background

In April 2014, the Office of the City Auditor completed an audit of the Department of Planning and Community Development's (DPCD) Tax Increment Financing Program.

The objective of that audit was to determine if the appropriate controls and governance structures were in place to properly manage the Tax Increment Financing Program.

The Office of the City Auditor determined that DPCD did not have appropriate governance structures in place, resulting in operational control deficiencies.

Audit Scope & Methodology

The audit scope was limited to the recommendations and corresponding action plans from the original report for the time frame of FY 2015.

The audit methodology included interviewing key personnel in the TIF Unit and the Finance department to obtain an understanding of newly implemented controls. Additionally, we reviewed source documents such as TIRZ Board meeting minutes, the amended TIF Program Policy, and project and finance plans.

Audit Conclusions

The Department of Planning and Community Development (TIF Unit) implemented action plans to address the recommendations from the prior audit. Areas that were effectively implemented include:

- Executive Management established a Governance Committee in February 2014, which serves as

counsel for the approval of new TIRZ projects and for TIRZ projects with issues or concerns.

- The 2008 TIF Program Policy was updated and approved by City Council. Additionally, internal policies and procedures over administration of the TIF Program were created and are being followed by department personnel.
- A standard process for updating finance plans for all TIRZ projects has been implemented.
- Internal controls over the billing process and collection of revenue from administrative fees and the disbursements for developer reimbursements have been implemented.

We did note some administrative areas that should be improved to strengthen the effectiveness of the internal controls. Specifically:

- Reviews and reconciliations should be conducted to ensure the accuracy of the financial data reported to the State Comptroller as well as the tax increment revenue invoiced and collected from participating taxing entities.
- Communication of personnel in the TIF and Finance areas that work on project deliverables for TIF needs improvement. Due to the lack of communication we identified work redundancies with regard to project deliverables.

Finance and Planning and Community Development's Management teams agreed with the audit findings and have developed positive action plans to address them.