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February 2015

Performance Audit  
Recommendations and Corrective  
Actions for Audit: 12-1

**TAX INCREMENT FINANCING  
DISTRICTS**

Town of Milton Appropriately  
Established Districts, but the  
Administration Was Flawed

Dated: 01/19/2012

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# Overview

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The SAO makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities two and four years after the calendar year in which the audit report is issued (e.g., we followed up on recommendations contained in audit reports issued in calendar year 2008 in 2010 and 2012). Our annual performance reports summarize whether we are meeting our recommendation implementation targets. ([http://auditor.vermont.gov/audits/recommendation\\_follow-up](http://auditor.vermont.gov/audits/recommendation_follow-up))

Act 155 (2012) required that we post on our website “a summary of significant recommendations arising out of the...audit reports... and the dates on which corrective actions were taken related to these recommendations. Recommendation follow-up shall be conducted at least biennially and for at least four years from the date of the audit report.”

This report addresses the requirements of Act 155 to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state’s financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our new contract for this work requires the contractor to provide the results of its recommendation follow-up in the future. Accordingly, we expect that future reports will contain this data.

Audit No., Name & Date	Rec #	Recommendation	Follow- Up Date	Status & Date	Review Comments
<a href="#">12-1 Tax Increment Financing Districts: Town of Milton Appropriately Established Districts, but the Administration Was Flawed 1/19/2012</a>	1	Milton should designate a town official to be responsible for reviewing statutory requirements and documenting policies and procedures for administering the tax increment financing (TIF) districts in consultation with the Vermont Economic Progress Council (VEPC) and the Department of Taxes (DOT). The policies and procedures should provide for a second level of review and should include the following: a) calculation of incremental property tax revenue, b) retention of statewide education increment, c) allowable debt period, d) utilization of incremental property tax revenue, and e) reporting requirements.	12/1/2014	Implemented	Milton designated the Planning Director as responsible for handling the TIF districts.
					<i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i>
	2	Milton should arrange to pay the \$3,368,000 of statewide education increment owed to the state.	12/1/2014	Partially Implemented	Section 1 of Act 80 (2013) required Milton to pay \$22,000 to the Education Fund and \$177,000 to its own TIF fund. According to this section, the General Assembly considers these payments as final settlement of the sum identified as owed to the Education Fund through the period covered by the audit. The Director of the Vermont Economic Progress Council confirmed that Milton has made payments in accordance with the agree to schedule. As the payments are not completed, this recommendation is partially implemented.
					<i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i>

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<a href="#">12-1 Tax Increment Financing Districts: Town of Milton Appropriately Established Districts, but the Administration Was Flawed</a> <a href="#">1/19/2012</a>	3	Milton should designate a town official to be responsible for establishing and monitoring a set of performance measures, including setting numerical targets for all measures that would ensure a more complete sense of whether the tax increment financing (TIF) districts have broadened the tax base, encouraged development, and improved employment opportunities.	12/1/2014	Implemented	Milton designated the Planning Director as responsible for handling TIF district matters.
					<i>The four-year recommendation/follow-up for this audit will be conducted in 2016.</i>