
January 2014

Performance Audit
Recommendations and Corrective
Actions for Audit: 11-3

Tax Increment Financing:
City of Newport Generally
Complied with Statutes but
Miscalculated Payments to the
State

Dated: 06/30/2011

Overview

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.

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
11-3 Tax Increment Financing: City of Newport Generally Complied with Statutes But Miscalculated Payments to the State 06/30/2011	1	Newport should develop and implement a comprehensive record retention policy for its fiscal and legal documents to ensure that records that have enduring value and relevance, particularly those associated with complex and on-going transactions, are preserved.	11/25/2013	Not Implemented	According to the Newport City Manager, he intends to review the State's record schedules which will provide descriptions of and disposition instructions for retention, access, and management of all public records or documents. His review will include determining which are the relevant schedules for the City and he plans to develop the City's policy from these schedules.
			2015		<i>The four-year recommendation/follow-up for this audit will be conducted in 2015.</i>
	2	Newport should arrange to pay the \$37,041 owed to the education fund.	11/25/2013	No Longer Applicable	Act 80 (2013) established payment schedules for municipalities with TIF districts that owe the State for state education tax increment. The City of Newport is not included in the statutorily required payment schedules, therefore this recommendation is no longer applicable.
			2015		<i>The four-year recommendation/follow-up for this audit will be conducted in 2015.</i>
	3	Newport should designate a City official to be responsible for developing, documenting, and implementing a system to calculate incremental tax revenue and determining the appropriate amount of the increment that may be retained by the City according to statutory requirements. Newport should also designate a separate City official to annually review the calculation.	11/25/2013	Partially Implemented	According to the City Manager, he prepares the calculation of incremental property tax revenue and determines the amount owed to the State. The City has not designated a separate official to annually review the calculations.
			2015		<i>The four-year recommendation/follow-up for this audit will be conducted in 2015.</i>
	4	Newport should designate a City official with the responsibility to annually prepare the required municipal and state reports and designate a separate City official to annually review the reporting.	11/25/2013	Partially Implemented	The City Assessor is responsible for preparing the required municipal and state reports. However, the City has not established a formal process for a second level of review of these reports.
			2015		<i>The four-year recommendation/follow-up for this audit will be conducted in 2015.</i>

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11-3 Tax Increment Financing: City of Newport Generally Complied with Statutes But Miscalculated Payments to the State	5	Newport should designate a City official with the responsibility to monitor TIF district performance and require that individual to update the actual results for the performance measure that was previously tracked.	11/25/2013	Not Implemented	The City has not tracked performance of the TIF district since the initiation of the TIF and indicated in its response to the audit report that since the TIF district bond will be retired in 2014, the City does not plan on tracking performance. As we noted in the report, without clear performance measures, targets and monitoring of actual results, it is difficult to conclude whether the TIF district met expected results.
			2015		<i>The four-year recommendation/follow-up for this audit will be conducted in 2015.</i>