

Highlights

Why We Did This Audit

Stakeholders are concerned that the city has missed deadlines for reimbursement submissions for some TIF projects. When anticipated reimbursement funds from a TIF project are not received, the city must redirect funds from other sources to cover shortfalls. This impacts the city's ability to fund other priorities.

The TIF Commission could deny reimbursements that are not submitted on time. Analyzing TIF projects for which the city has incurred reimbursable project costs and determining whether those costs were timely submitted and supported by the appropriate documentation could identify process improvements to ensure the city recovers eligible costs from TIF projects.

Objective

Do city departments timely submit TIF project expenses for reimbursement?

Background

Tax Increment Financing (TIF) is a financing and development tool created by state statute to encourage the development of areas that might not be developed without public investment. The city and developers use TIF financing by establishing a redevelopment plan.

The city enters into an agreement with the TIF Commission to construct public infrastructure as part of some TIF plans. Under these circumstances, the city is the developer and follows the same redevelopment agreement process as private developers. TIF redevelopment agreements require the city to track incurred project expenses and submit eligible expenses for reimbursement within 18 months of the date the cost was incurred.

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PERFORMANCE AUDIT – September 2024

City's Late TIF Project Reimbursement Requests Could Result in the City Not Recovering Costs

What We Found

The city had not requested or was late in requesting reimbursements for 11 projects with approximately \$4.7 million in Tax Increment Financing (TIF) project costs.

Submitted Late
\$1.7 million

Late submission of project costs delays reimbursement and increases the risk of the city being denied reimbursement by the TIF Commission. Delays in reimbursement for project expenses impact the city's liquidity. If the city does not receive reimbursement, the city must use the capital improvement fund balance to cover the expenses, potentially impacting other city projects.

Not Submitted and Late
\$1 million

Not Submitted, Not Yet Late
\$2 million

Several TIF project accounts in PeopleSoft, the city's financial tracking system, did not display accurate, current financial information. We identified an approximate \$1.3 million discrepancy in anticipated project cost reimbursements for three projects we reviewed. Inaccurate accounts in PeopleSoft can lead to the city not receiving project reimbursements if those costs are no longer eligible.

The city does not have a centralized process for administering TIF reimbursement. Current Public Works and Parks and Recreation departments' processes are unwritten and have not always identified the project manager, ensured that staff are trained on TIF reimbursement processes, established a consistent system for documenting expenses and obtaining reimbursements, or established communication amongst stakeholders responsible for project administration or monitoring. Each of these issues has contributed to the city not submitting or timely submitting TIF reimbursements.

What We Recommend (full list on back)

We make recommendations to the Parks and Public Works departments to review all city TIF projects and submit any incurred, eligible project expenses for reimbursement. After we notified the departments of outstanding costs for reimbursements, they began the process to request reimbursements for three projects totaling about \$638,000.

We also make recommendations to Finance to verify anticipated TIF reimbursements reported in PeopleSoft and implement a citywide process for managing TIF reimbursements.

All three departments agreed with our recommendations.



**KANSAS CITY
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Recommendations	Management Agreement
1. The director of parks and recreation should review all city TIF projects in the department and submit any incurred eligible project expenses to the TIF Commission for reimbursement.	Agree
2. The director of public works should review all city TIF projects in the department and submit any incurred eligible project expenses to the TIF Commission for reimbursement.	Agree
3. The director of finance should verify that anticipated TIF reimbursements reported in PeopleSoft for all city TIF projects align with the amounts authorized by ordinance.	Agree
4. The director of finance should implement a citywide process to manage the city's TIF reimbursement process based on the existing grants management program.	Agree

