

# Highlights

## Why We Did This Audit

The City Auditor’s Office received a number of audit suggestions from the public expressing concern about the administration, transparency, and accountability of the Independence Avenue Community Improvement District (IACID). Our audit focused on the district’s accountability and transparency.

## Background

The IACID was established in 2013 to provide safety and security, public area maintenance, and marketing services for the benefit of district members. The City Council approved the IACID as a perpetual political subdivision of the state. The IACID currently collects one percent sales and use taxes from customers of IACID member businesses and an annual \$300 per parcel special assessment from real property owners in the district, excluding non-profit organizations.

The IACID has a management service agreement with the Northeast Kansas City Chamber of Commerce (managing agency) for management, advocacy, administration, audit, procurement, accounting, and support services. The IACID pays the managing agency a fee of 18 percent of its revenues from special assessment and sales tax collections for these services.

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# PERFORMANCE AUDIT

## Independence Avenue Community Improvement District Should Improve Accountability and Transparency

### What We Found

The IACID should improve its accountability and transparency to the public and property owners in the district. The IACID has not established an internal control structure to protect its more than \$730,000 in annual sales and use tax revenues. In our review of payments and reimbursements, we identified problems in 40 percent of the expense records we reviewed. Payments and reimbursements were not always supported by appropriate documentation, incompatible duties were not segregated, and checks were not signed by two individuals as required by board resolution.

#### IACID Revenues and Expenditures – FY2015-FY2018

	FY2015 Actual	FY2016 Actual	FY2017 Budget	FY2018 Budget
Sales Tax	\$758,873	\$738,743	\$731,000	\$759,800
Use Tax	\$2,427	\$3,058	\$2,400	\$12,000
Special Assessment	\$33,532	\$34,323	\$34,000	\$34,323
Other Revenue	\$1,530	\$7,853	\$10,000	\$40,416
<b>Total Revenues</b>	<b>\$796,363</b>	<b>\$783,977</b>	<b>\$777,400</b>	<b>\$846,539</b>
<b>Total Expenditures</b>	<b>\$413,679</b>	<b>\$600,873</b>	<b>\$925,692</b>	<b>\$846,539</b>

The IACID has not acted transparently, despite being a political subdivision of the state funded primarily through sales and use taxes collected from the public. Some board resolutions are not reflected in board minutes. Meeting minutes record that individuals who were not board members made and seconded motions during board meetings. The IACID has not established and maintained a consistent board meeting schedule. The IACID’s website has limited and sometimes inaccurate information.

It is unclear who is representing the interests of the IACID. Overlaps in the governance and management structures of the IACID and its managing agency have made conflicts of interest inevitable. But requirements to mitigate these conflicts in the IACID’s bylaws and a board resolution were not followed.

IACID did not submit a slate of successor director nominations to the mayor and council for approval as terms expired. A provision in the IACID bylaws is inconsistent with state requirements regarding the approval of the district’s annual budget.

### What We Recommend

To improve accountability and transparency of the IACID, the IACID board should:

- Engage qualified professionals to provide audit services and help the IACID establish an effective internal controls system;
- Maintain thorough and accurate minutes and records;
- Follow statutory, petition, bylaw, and resolution requirements;
- Establish a regular meeting schedule; and
- Improve the amount and accuracy of information on the IACID website.

The IACID board agreed with the recommendations.