

# Development Agreements Monitoring



## Objective

The objective of the audit was to determine if businesses and the City comply with contractual requirements of development agreements.

## Background

- The City uses economic development agreements to support job creation and economic growth as authorized by Chapter 380 of the Texas Local Government Code.
- Since 2003, the City has entered into 21 economic development agreements, 7 of which are currently active.
- The agreements contain performance-based requirements that businesses need to meet to receive incentives, such as property tax reimbursements, from the City.
- The City's Economic Development Department oversees these agreements. The Department verifies compliance with the requirements every year, and an independent third party reviews the Department's results.

## What We Found

The City's monitoring generally ensures that businesses comply with contractual requirements prior to releasing development incentives, although the documentation reviewed for some requirements was limited.

The City made 11 incentive payments to businesses in calendar years 2014 through 2016. The payments were made after the Economic Development Department verified compliance with the contract terms and its independent reviewer confirmed the Department's results. In 14 of 17 (82%) of the compliance areas selected for review, the Department performed a thorough review. However, in three compliance areas the City relied on assertions from the businesses to determine compliance. Reviewing additional documentation would provide a stronger basis to ensure compliance.

### Exhibit 2: Compliance Areas Needing Additional Review

Area of Compliance	Documentation Concerns
Equal Opportunity Compliance	✓ reviewed: written confirmation asserting compliance with small and minority business-related requirements
	✗ did not review: documents showing efforts of notifying certified firms
Undocumented Workers	✓ reviewed: written verification stating that they had not been notified of any complaints regarding employment of undocumented workers
	✗ did not review: confirmation that non-U.S. citizen employees are authorized to work
City Reimbursement Confirmation	✓ reviewed: Department's public website to confirm the payment, including the dollar amount, to a business
	✗ did not perform: confirmation of payments against the City's accounting records

SOURCE: Office of the City Auditor's analysis, October 2016

## What We Recommend

The Economic Development Department Director should strengthen the review procedures that address the documentation concerns identified in this audit to ensure the City obtains conclusive evidence of the business' compliance.