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AUDITOR’S LETTER

The objectives of our audit of the property tax assessment process were to assess the City’s practices and compliance with relevant laws and regulations, to analyze tax-increment financing for exempt properties, and to review commissions associated with the collection of taxes on behalf of third-party entities. I am pleased to present the results of this audit.

The audit revealed the Department of Finance incorrectly recorded the reimbursement for senior and disabled veteran property tax exemptions, and lacked oversight over the property tax assessment system and processes. We had no findings regarding tax-increment financing for exempt properties or commissions associated with the collection of taxes.

By reclassifying the reimbursement and strengthening governance over property tax assessment systems and processes, the Department of Finance will be able to better ensure compliance with accounting practices and the integrity of property tax assessment data.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, “General Powers and Duties of Auditor,” and was conducted in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to the Department of Finance and Denver Urban Renewal Authority personnel who assisted and cooperated with us during the audit. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor’s Office

Timothy M. O’Brien, CPA
Auditor
Property Tax Assessment Process
October 2019

Objective
The audit had three objectives: 1) To determine whether the City’s policies and procedures related to the property tax assessment process are effective to ensure compliance with regulations and promote data accuracy and completeness; 2) To examine whether the current tax-increment financing law should be amended to permit adjustments to the base level when an exempt property is converted to a nonexempt property to allow for the timely recovery of infrastructure costs incurred by the City; and 3) To analyze whether the City is recovering the costs of services associated with the assessment and collection of property taxes on behalf of third-party entities, such as Denver Public Schools, the Denver Urban Renewal Authority, and other special districts.

Background
The property tax assessment process is outlined within and regulated by state law as well as the state’s Assessors’ Reference Library. Property tax assessment includes appraisal and classification, exemptions, and taxation of real and personal property. The assessment process is driven by the City’s Department of Finance.

REPORT HIGHLIGHTS

Highlights
In our first audit of the City’s property tax assessment process, we identified controls and processes that need improvement to promote appropriate accounting practices, compliance with state law and regulations, and to protect the integrity of property tax assessment data.

The City Incorrectly Recorded and Reported the State Reimbursement for the Senior and Disabled Veteran Property Tax Exemptions
State reimbursements were recorded and reported as property tax revenue rather than “government-mandated nonexchange revenues.”

The Department of Finance Should Improve Oversight of the Property Tax System and Processes
- Policies and procedures related to property tax assessment processes are outdated and lack sufficient detail to ensure processes are performed consistently and in compliance with state law.
- The Treasury Division cannot ensure waived interest and fees are allowable.
- Information, such as occupied square footage and weighted exemption percentages related to state-leased properties, were inaccurate and inconsistent.

For a copy of this report, visit www.denverauditor.org or contact the Auditor’s Office at (720) 913-5000.
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The Department of Finance Should Improve Oversight of the Property Tax System and Processes

- Policies and Procedures Related to Property Tax Assessment Processes Are Outdated and Lack Detail
  
- The Treasury Division Cannot Ensure Waived Interest and Fees Are Allowable or Appropriate
  
- Information Related to State Lease Exemptions Was Inaccurate

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BACKGROUND

The property tax assessment process is outlined within and regulated by state law with the specific intent of ensuring fair and uniform valuations for the assessment of property located in Colorado. These regulations contain definitions for the types of properties, guidelines for property appraisal and classification, and information related to property tax exemptions.

There are two primary types of property defined in state law: real property and personal property. “Real property” includes residential and commercial real estate, whereas “personal property” refers to assets owned by businesses.

The portion of state law outlining property tax assessment also provides guidelines and time frames for the appraisal and valuation of both real and personal property. Specifically, all real and personal property and associated values for property tax purposes are determined by the assessor of the county in which the property is located. Appraisers use one of three methods to appraise properties: the cost approach, the market approach, or the income approach.

- Cost approach (nonresidential properties only) – uses replacement construction costs from the appropriate time period to determine the value of property, including land, and considers the year built, the builder, and construction costs
- Market approach – uses comparable sales from the appropriate time period to determine the value of property and considers the sale date, property characteristics, and sale price
- Income approach (nonresidential properties only) – converts economic net income from the appropriate time period into present worth and considers income, vacancy, and expenses

State law also includes information related to property tax exemptions. For example, both the real and personal property of public libraries and school districts are exempt from property tax. Additionally, certain citizens who own property may be exempt from paying all or a portion of property taxes. Specifically, senior citizens over the age of 65 who have owned and occupied their primary residence for 10 consecutive years prior to the assessment date may qualify for a senior tax exemption. Individuals who meet the disabled veteran qualifications outlined in statute may also be eligible for a property tax exemption. While counties receive applications for senior exemptions and verify

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property ownership, the state verifies the applicant has not applied for multiple property exemptions in multiple counties. The Colorado Division of Veterans Affairs receives and determines the applicant qualifications for the disabled veteran exemption.

The Assessors’ Reference Library – To assist counties in the implementation of state law, the state’s Department of Local Affairs maintains the Assessors’ Reference Library, a series of manuals that address Colorado property tax assessment. The volumes include assessment procedures, processing policies, and legal references for the administration of the county assessment divisions. They also cover real property assessment and describe personal property assessment and administration. Not all information contained in these manuals is backed by state law; some guidance may be considered as best practices.

The City’s Department of Finance drives the implementation of the property tax assessment process in Denver. Specifically, the Assessment Division, Treasury Division, and the Controller’s Office are involved. The Department of Finance’s mission is to “ensure the efficient and effective delivery of City services through strong financial management and excellent customer service.”

The Assessment Division is responsible for locating, appraising, and recording Denver’s real and personal properties in accordance with state law. Additionally, the Assessment Division certifies valuations to 103 special tax districts and tracks values and annual tax increments within the City’s 24 tax-increment financing projects.

Special districts in Colorado are taxing districts that provide a specific service or set of services such as fire protection, water, or sanitation. Tax-increment financing assists in funding economic redevelopment projects that enhance neighborhood vitality and drive economic growth across the city.

Finally, the Assessment Division prepares and delivers the tax warrant to the Treasury Division, maintains records on tax exemptions, generates notices of property value for all taxpayers, and processes protests and appeals related to property value.

As it relates to property tax, the Treasury Division collects, records, and deposits all City taxes and enforces tax compliance. Finally, the

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Controller’s Office distributes taxes and ensures the integrity of the City’s financial statements, maintains internal controls, and is responsible for general accounting, financial reporting, and fiscal rules and policies.

**Additional Duties of the Assessment Division** – There are four essential duties of the assessment process the Assessment Division is responsible for:

- Discover – identification and tracking of county property parcels
- List – identification of what is contained on each of the previously discovered parcels
- Classify – classification of each parcel using state codes (i.e., residential, commercial, agricultural, etc.)
- Value – assignment of value for each parcel based on the information identified in the previous three phases

A “mill levy” is a property tax rate expressed in mills (thousandths of a dollar) per dollar of assessed value. The property tax “rate” is defined as the decimal equivalent of the mill levy. For example, 75 mills ($75 per $1,000 assessed value) = 0.075 ($0.075 per $1 assessed value). Following valuation, the Assessment Division determines the applicable taxes for each property based on which district boundaries the property falls within and the applicable mill levies associated with each district.

In Denver, every property falls within at least the Denver City and County tax district; however, some properties fall within additional district boundaries.

**Responsibilities of the Treasury Division and Controller’s Office** – Following the determination of property taxes, the Treasury Division sends out tax statements to property tax owners in accordance with state law. The Treasury Division then collects taxpayer remittances. The Controller’s Office then assumes the responsibility for tax recording and distributions to special districts. Treasury is also responsible for the collection of delinquent taxes. In the event a property owner remains delinquent, Treasury is responsible for seizing assets for auction and obtaining tax liens. These processes are all outlined in state law.

There are three major reports the Assessment Division is responsible for creating and distributing: The “Abstract of Assessment Report,” the “Certification of Valuation” for every taxing entity, and the “Tax Warrant.”

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The abstract is an annual compilation of all real and personal property in the boundaries of each county and is used for official use by the state. The abstract is used for many other purposes, as well. For example, the aggregate assessed valuation data is the basis for the certification of values to the various taxing entities. The data is also used in studies, such as the residential assessment rate study.

The certifications of valuation are used to provide taxing entities, such as Denver Public Schools, with data required to calculate property tax rates, calculate revenue and spending limitations, and decide whether they must ask voters for additional funds.

Finally, the tax warrant is completed by the Assessment Division and delivered to the Treasury Division. It is a public document and lists the owners of taxable property in the county, the class and valuation for assessment of each property, the individual levies for each, and the total amount of taxes due on each property. At the end of the warrant, the aggregate of all taxes should be listed. The state Assessors’ Reference Library contains specific and detailed instructions for completing these reports.

### 2017 and 2018 Valuation and Property Tax

According to the 2017 Abstract of Assessment, the total assessed valuation for the City and County of Denver was $17.5 billion. Likewise, the total assessed valuation for the City and County of Denver, according to the 2018 Abstract of Assessment, was $17.9 billion. Table 1 below shows property tax revenue collected for 2017 and 2018.

<table>
<thead>
<tr>
<th>Property Tax Revenue</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>City and County of Denver</td>
<td>$497,197,326</td>
<td>$507,299,218</td>
</tr>
<tr>
<td>Denver Public Schools</td>
<td>$846,602,469</td>
<td>$864,780,166</td>
</tr>
<tr>
<td>Urban Drainage and Flood Control District</td>
<td>$9,774,429</td>
<td>$14,698,610</td>
</tr>
<tr>
<td>Special Districts</td>
<td>$80,069,048</td>
<td>$83,214,730</td>
</tr>
<tr>
<td>Grand Total of All Property Taxes</td>
<td>$1,433,643,272</td>
<td>$1,469,992,724</td>
</tr>
</tbody>
</table>

**Source:** Abstracts of assessment and summaries of levies for 2017 and 2018.

### Property Tax Assessment Systems

The Department of Finance uses the OASIS system for property tax processes. OASIS contains information such as property address, property owner, property valuation, taxes owed, and interest and fees. The City is updating the property tax assessment system, which should
address some system limitations experienced with OASIS.

The state Division of Property Taxation and the county and state boards of equalization oversee the property tax assessment process. The Division of Property Taxation coordinates and administers the implementation of property tax law throughout the state and operates under the leadership of the property tax administrator, who is appointed by the State Board of Equalization.

The State Board of Equalization reviews an annual valuation for assessment study and orders reappraisals of properties in counties found to be noncompliant, as well as reviews the county abstracts of assessment. The study focuses on both procedural and statistical processes performed by county assessors and includes a review of county assessor methodology for valuation of properties. The county Board of Equalization hears taxpayers’ appeals of the assessor’s decisions related to property tax protests and reviews valuations for assessment of all taxable property on the assessment roll.

Finally, state law also allows the state auditor to periodically audit the property tax exemption program for seniors and disabled veterans.
FINDING 1

The City Incorrectly Recorded and Reported the State Reimbursement for the Senior and Disabled Veteran Property Tax Exemptions

In the City and County of Denver’s comprehensive annual financial report, as prepared by the Controller’s Office, dated December 31, 2018, the City incorrectly recorded receipts from the state reimbursement for the senior and disabled veteran property tax exemptions, also referred to as the “Senior Homestead Exemption.” In addition, the City has not clearly reported the amounts received from the state and passed through to other government entities.

State law mandates the City to provide a property tax exemption each year to eligible seniors and disabled veteran homeowners. This reduces or eliminates the amount of property taxes owed by those homeowners and the amount of taxes collected by the City to fund its operations, as well as reduces amounts collected by the City on behalf of other government entities, such as Denver Public Schools. The state then reimburses the City for the amount of the exemptions, less any unallowed exemptions.  

The City has historically recorded the reimbursement as property tax revenue and then reported it through to other entities as distributions of property tax receipts. However, the reimbursement payment from the state should be classified as a “government-mandated nonexchange transaction,” which is a different type of revenue source than property taxes. Property taxes are assessed on and paid by property owners within the boundaries of the county.

The Governmental Accounting Standards Board—an independent, private organization that sets accounting and financial reporting standards for state and local governments—defines a government-mandated nonexchange transaction as money or other resources provided by a government entity at one level, such as a state government, to another government entity, such as a county. Those resources are restricted for specific purposes established under enabling legislation by the provider government, and the providing government mandates the recipient government to take certain actions, such as providing a tax exemption to senior citizens or disabled veterans.

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In 2018, the City received a reimbursement from the state in the amount of $13 million. Of this, about $8.8 million was passed through to other government entities on whose behalf the City bills and collects property taxes. The amounts received from the state for the reimbursement are grouped together with property tax receipts and distributed monthly to the other government entities when the City receives tax collections. Though listed as a separate line item on the monthly distribution packets as “homestead,” there is nothing to indicate that “homestead” should be treated differently than property taxes.

Table 2 summarizes reimbursements received from the state for the past four years as well as amounts paid to other governments and amounts retained by the City.

### TABLE 2. State Reimbursements for Senior and Disabled Veteran Property Tax Exemptions

<table>
<thead>
<tr>
<th>Collection Year</th>
<th>Total Reimbursement</th>
<th>Paid to Other Governments</th>
<th>City and County of Denver Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$13,019,928</td>
<td>$8,354,563</td>
<td>$4,665,364</td>
</tr>
<tr>
<td>2017</td>
<td>$12,439,795</td>
<td>$7,961,268</td>
<td>$4,478,527</td>
</tr>
<tr>
<td>2016</td>
<td>$13,874,109</td>
<td>$8,795,155</td>
<td>$5,078,955</td>
</tr>
<tr>
<td>2015</td>
<td>$12,598,146</td>
<td>$7,831,314</td>
<td>$4,766,832</td>
</tr>
</tbody>
</table>

Source: Controller’s Office.

The practice of treating these reimbursements as property taxes is widespread. The Controller’s Office said this was the norm statewide.

However, Governmental Accounting Standards Board requirements stress that the substance of a transaction supersedes any labels applied to the transaction. A Specifically, what a government entity calls a transaction is not important as compared to the structure of the transaction with regards to proper classification.

As stated above, state law mandates Colorado counties to provide these exemptions, and then the state reimburses the counties for all valid exemptions granted. A The law also requires counties to submit certain reports to the state to help validate the exemptions. A

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legal requirements substantively meet the specifications for recognition as a government-mandated nonexchange transaction under Governmental Accounting Standards Board rules.

Because the Controller’s Office asserted that the City records the transaction in a manner in line with longstanding practice across the state, we contacted the Governmental Accounting Standards Board to verify our interpretation of the guidance in the context of Colorado law. The organization affirmed our understanding. It appears the Controller’s Office may have misunderstood this transaction and, in recording the transaction, applied incorrect accounting principles, resulting in the error.

While there is no impact on the City’s net position, overstating property tax income and understating other income may have an impact on external reporting for bonds and other external parties.

Furthermore, government entities receiving property tax distributions from the City may not be fully aware of the nature of this revenue, and it could have a significant impact on their financial reporting, as they would also be misclassifying the revenue as property tax revenues. Failing to properly classify and disclose revenue could cause these entities to run afoul of bond and debt agreements or incur other legal penalties.

**RECOMMENDATION 1.1**

**Correct Accounting for the Exemption Reimbursement** – The Department of Finance should record the state’s reimbursement of the senior and disabled veteran property tax exemption as a government-mandated nonexchange transaction in the City’s financial accounting records beginning in 2019.

**Agency Response: Disagree**

**Auditor’s Addendum: See page 21 under Recommendation 1.1**
RECOMMENDATION 1.2

Provide Complete Data to Other Entities – The Department of Finance should review what data is provided to Denver Public Schools and other government entities regarding property taxes and reimbursements related to the tax exemptions. If that data is not sufficiently clear as to the source of the funds, the department should modify the reporting to those entities to make certain they receive accurate data regarding property taxes and tax exemption reimbursements to ensure they can provide accurate financial reporting.

Agency Response: Disagree
FINDING 2

The Department of Finance Should Improve Oversight of the Property Tax System and Processes

The Department of Finance lacked proper oversight to ensure processes related to the property tax assessment process were documented, monitored, consistently applied, and performed using accurate data.

Specifically, the department lacked a formal process to review and update existing policies and procedures, and in some cases, policies and procedures were not documented at all. In addition, we discovered that the Treasury Division was potentially misinterpreting the state law related to waiving interest and fees for delinquent property taxes. Finally, we found errors in state lease data, resulting in potentially inaccurate exemptions and property taxes collected for state-rented space in Denver.

Policies and procedures used by the Treasury Division are in hard-copy form, outdated, and contained handwritten notes to document revisions. In addition, policies and procedures used by the Assessment Division often lack details specific to supervisory review, such as the content to be reviewed, the frequency of review, and how the review should be documented.

Finally, the Controller’s Office and Assessment Division have not established and documented policies and procedures to ensure data is accurately and consistently tracked and reported within “certifications of valuation,” records that provide taxing entities such as Denver Public Schools with data to calculate property tax rates, to calculate revenue and spending limitations, and to decide whether they must ask voters for additional funds.

Policies and Procedures – When auditors received the Treasury Division policies and procedures for processes related to adjustments, abatements, and lockbox processing, we found that documents were retained in binders and unavailable electronically. Further, we found many policies and procedures were outdated, and revisions were documented through handwritten notes. Treasury explained that many of the processes are annual and have been informally updated as needed, usually with handwritten notes to existing documents, which

they feel is sufficient for their needs. Treasury added that with the conversion to the new property tax system, all policies and procedures will be reviewed and updated to incorporate the new processes.

We also reviewed Assessment Division policies and procedures related to appraisal activities and found they lacked specific details for conducting supervisory review of information in the property tax system. Appraisers perform various tasks within the property tax system that may result in changes to property data needing supervisory review because the data relates to sales verifications, appeals, and permits. These changes are tracked through a system audit trail, and supervisors have the capability of reviewing any changes. We noted that some policies and procedures said supervisory review should occur; however, they did not specify what information should be reviewed, the frequency of review, or how the review should be documented.

In addition, we found that supervisory review of data related to taxpayer appeals was inconsistent between supervisors. For example, some supervisors reviewed data for all appeals regardless of whether an adjustment was granted or denied, whereas other supervisors reviewed only the adjustments. Further, as it related to permits, supervisors focused on reviewing high dollar-value changes. However, management had not defined a threshold for what would be considered a high dollar-value change. While supervisory review may be inconsistent, we found evidence in the property tax system of some supervisory review.

Management stated supervisory review depends on workload, time availability, and other priorities. Additionally, officials indicated all appraisers are required to follow federal standards of appraisal, indicating supervisory review may not always be necessary due to the repercussions of noncompliance with these standards.12

According to U.S. Government Accountability Office standards, “documentation is a necessary part of an effective internal control system” and “is required for the effective design, implementation, and operating effectiveness of an entity’s internal control system.”13 At a minimum, management should document the internal control responsibilities of an organization in policies.14 The federal standards also say “internal controls” are a process established by management to provide “reasonable assurance an entity’s objectives will be achieved.” Additionally, management oversees the internal control system through ongoing monitoring. Ongoing monitoring activities include “regular

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14 Ibid.
management and supervisory activities, comparison, reconciliations, and other routine actions.”

Certifications of Valuation by County Assessor – While auditors did not note any clerical errors on the certifications, there were discrepancies between the values related to omitted real and personal properties contained in the certifications and reports generated by the Treasury Division and Controller’s Office.

The Assessors’ Reference Library defines “omitted property” as “any taxable property, such as a personal property, land, an improvement, or both land and improvement that is not listed on the current assessment roll.” The assessor is required to add omitted property to the assessment roll as soon as they discover it. Further, the assessor is required to notify the treasurer of any unpaid taxes for prior years.

Auditors attempted to reconcile the amounts related to omitted properties for 39 certifications with information contained on the reports as well as understand the reasons properties were omitted. In five instances, the dollar amounts lined up; however, the amounts could not be reconciled for the remaining 34. Additionally, due to time constraints, the Assessor’s Office was only able to research and provide explanations for seven omitted properties.

Upon further review of the certifications for 2017 and 2018, auditors noted staff only included the prior year’s omissions on the certificate even when omissions were discovered for multiple previous years. For example, when the 2018 certifications were created, only 2017 personal property omissions were included even though there had been omissions discovered from 2016 and 2015, as well. The Assessor’s Office was unsure about the accuracy of the information from the Controller’s Office since omitted properties consist of those not listed on the assessment roll, not just those with an increase in value. Because of this potential inaccuracy, we did not attempt to quantify the omissions. Management also stated the process for completing the certificates was inherited, and management was unsure if the process was correct. Management indicated that additional research would be needed to determine how to proceed.

Auditors also found the Assessor’s and Controller’s offices had not documented policies and procedures on the tracking and reporting of omitted property data for use in identifying trends.

State law requires the assessor to complete a certification of valuation for each third-party entity. Additionally, as outlined in the Assessors' Reference Library, third-party entities use the data certified by the assessor to determine information such as the amount of revenue that can be generated from taxable properties, the entity's maximum revenue and spending increase over the prior year's revenue, and the property tax rate needed to generate that revenue. Therefore, data furnished by the assessor is essential to this process.

U.S. Government Accountability Office standards say department responsibilities should be documented through policies that can be further defined through specific procedures. In addition, the federal standards define quality information as being appropriate, current, complete, accurate, accessible, provided on a timely basis, and from reliable sources. It is imperative management ensure quality information is maintained and necessary revisions occur for making informed decisions.

Without a process to formally document, review and update, and communicate policies and procedures to appropriate staff, inconsistent implementation of processes may occur, such as those related to adjustments and lockbox processing. In addition, if guidelines related to supervisory review are unclear, systems may contain inaccurate data, appraisers may be noncompliant with federal standards, and potential abuse could occur related to property values. Finally, if districts are provided with certifications of valuation containing inaccurate data, they may not be able to budget and set accurate tax rates. Districts may then need to turn to the public to vote on additional taxes to support public services within the district.

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RECOMMENDATION 2.1

Develop, Document, and Implement Policies and Procedures – During the implementation of the new property tax system, the Department of Finance, including the Assessment Division, Treasury Division, and Controller’s Office, should develop, document, and implement policies and procedures for processes related to property tax assessment. Policies and procedures should identify, at a minimum:

- Responsible parties
- Chain of custody
- Review and approval procedures
- Documentation requirements
- A timeline for periodic review and approval to update policies and procedures

Agency Response: Agree, Implementation Date – Oct. 1, 2020

RECOMMENDATION 2.2

Develop and Document Procedures to Accurately Capture Omitted Properties – The Assessment Division should work with the Controller’s Office and Treasury Division to ensure all omitted properties are properly captured in certifications of valuation provided to third-party entities. Additionally, because third-party entities rely on certifications for budgeting and property tax rate-setting purposes, the Assessment Division should use the Assessors’ Reference Library as guidance to ensure data is accurate.

Agency Response: Agree, Implementation Date – Jan. 17, 2020

RECOMMENDATION 2.3

Track and Monitor Omitted Properties Data – The Assessment Division should work with the Controller’s Office and Treasury Division to establish and document procedures to track and monitor data related to omitted real and personal properties to identify potential trends and ensure omissions are not due to data entry or other administrative errors.

Agency Response: Agree, Implementation Date – Jan. 17, 2020
The Treasury Division may have misinterpreted a state law on waiving interest and fees for delinquent property taxes.

In addition, auditors noted a lack of documented criteria for when interest and fees are eligible to be waived. We also noted a system limitation with the City’s property tax system, OASIS, regarding the ability to track waived interest and fees.

**State Law Interpretation** – State law says, “the treasurer may refrain from collecting any penalty, delinquent interest, or costs where the amount to be collected is fifty dollars or less.” During the audit, we noted the Treasury Division interpreted the law to mean amounts of up to $50 could be waived, without supervisor approval, on any amount of interest owed. For example, if a taxpayer owed $250 in interest due to delinquent taxes, the Treasury Division could waive $50, leaving the taxpayer owing $200 in interest. We also noted that Treasury allowed waivers of interest and fees over $50 with supervisor approval; however, that approval was not always documented.

Auditors interpreted the provision of state law as allowing Treasury to waive interest and fees on delinquent taxes where the total amount owed is $50 or less. For example, if a taxpayer owed $40 in interest for delinquent taxes, the law allows Treasury to waive that amount, but if the amount owed were $51, officials could not waive any of the penalty.

Regardless of the interpretation of state law, we also noted the Treasury Division had not established or documented criteria under which interest and fees could be waived. The Treasury Division said the law provided its employees discretion as to when fees could be waived, such as for irate taxpayers or when processing errors occur.

Without a properly documented interpretation of laws and associated criteria, application of waivers may be inconsistent and potentially result in noncompliance with state law. Additionally, with misinterpretation of state law, Treasury may waive fees in cases when waivers are not eligible. Finally, undocumented supervisory review may result in fees that are inappropriately waived.

**System Limitation** – We also attempted to quantify the amount of interest and fees waived for delinquent taxes for 2017 and 2018. However, we discovered OASIS did not capture the dollar amounts associated with waivers due to a system limitation. Treasury employees perform waivers by manually reducing the amount of interest and fees owed in OASIS, which has an associated payment code. However, the

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amount waived is not captured by the system.

In addition, management does not require staff performing the waivers to document notes within the property tax system. This resulted in our inability to perform an analysis to quantify the amount of interest and fees waived and inhibits management’s ability to monitor waived interest and fees.

Because the amounts of waived interest and fees are not being captured by the system, the Treasury Division and Controller’s Office are unable to reconcile the waived amounts. The Treasury Division mentioned that this limitation may be addressed with the implementation of the new property tax system. However, as stated above, policies and procedures still need to be documented with established criteria for when waivers are permitted.

As previously mentioned, U.S. Government Accountability Office standards refer to documentation as “required for the effective design, implementation, and operating effectiveness of an entity’s internal control system.” Again, internal controls are a process established by management to “provide reasonable assurance an entity’s objectives will be achieved.” Management oversees the internal control system through ongoing monitoring that “includes regular management and supervisory activities, comparison, reconciliations, and other routine actions.”

Without a mechanism to monitor and track waivers, management lacks the ability to spot trends indicating why waivers are necessary. In addition, Treasury employees may inconsistently grant waivers, and there is the risk of potential abuse. Finally, there is no way to reconcile the amounts waived.

RECOMMENDATION 2.4

Obtain Clarification of State Law – The Treasury Division should work with the City Attorney’s Office to clarify Colorado Revised Statutes § 39-10-104.5(10) with regard to waiving interest and fees due to delinquent taxes. Based on its findings, the Treasury Division should adjust and document its policies and procedures on granting waivers accordingly.

Agency Response: Agree, Implementation Date – Nov. 30, 2019

RECOMMENDATION 2.5

Establish and Document Criteria for Waiving Fees – Based on the guidance obtained from the City Attorney’s Office as part of Recommendation 2.4, the Treasury Division should establish criteria for when interest, fees, and penalties are eligible to be waived as well as a process for review, approval, and documentation of waived interest and fees.

Agency Response: Agree, Implementation Date – Nov. 30, 2019

RECOMMENDATION 2.6

Establish Procedures for Accounting for Waived Interest and Fees – With implementation of Recommendation 2.5, the Treasury Division should work with the Controller’s Office to identify procedures to properly record and account for waived interest and fees.

Agency Response: Agree, Implementation Date – Dec. 31, 2019

Information Related to State Lease Exemptions Was Inaccurate

While state entities lease over 1.3 million square feet of commercial space within Denver, space that is partially exempt from property taxes, the Assessment Division has not established and documented a mechanism to ensure information used for monitoring state leases is accurate. For example, auditors noted 14 percent of state lease properties where the square footage occupied by the lessee and the total rentable square footage were incorrectly recorded, resulting in inaccurate weighted exemption percentages being applied toward the total property taxes.

Per the Assessors’ Reference Library, real property that is used by the state, a political subdivision, or a state-supporting institution of higher education through a lease or rental agreement for at least a year is exempt from property taxation. Lessees are required to file a copy of the lease or rental agreement with the Assessment Division. The Assessment Division is then required to review and track the lease, including renewals, to determine the current year’s exemptions. The Assessment Division most frequently processes the state exemptions by calculating a weighted exemption percentage based on the amount of occupied square footage, as determined by the lease, compared to

the building’s or land’s total rentable square footage.

For example, if an entity leases an entire building, then 100 percent of the value will be exempt from property taxes. On the other hand, if an entity leases only part of a building, such as an office suite, then the Assessment Division would calculate a weighted exemption percentage using the occupied square footage and the entire building’s rentable square footage.

For example, an exempt entity may lease 2,602 square feet of space within a building that has 44,126 square feet of total rentable area. The weighted exemption percentage would equal 5.9 percent.

We compared the tracking spreadsheet used by the Assessment Division to monitor leases and calculate weighted exemptions to the leases for all 52 state-leased properties in Denver. We also compared the weighted exemption percentage calculated in the spreadsheet to the amount recorded within the property tax system. We noted discrepancies in the tracking spreadsheet for 28 of the 52 properties, or 54 percent, based on information contained in both the leases and the property tax system. Discrepancies included inaccurate or missing lease commencement dates, expiration dates, occupied square footage, and total rentable square footage.

Of these properties with discrepancies, we found these inaccuracies did not affect the weighted exemption percentage calculations for 21 of 52, or 40 percent, of the total leased properties. However, we found four properties, or 8 percent of the total, where data inaccuracies resulted in miscalculated weighted exemption percentages. One property was at 87 percent exempt; however, the lease indicted the entire property was being leased. Therefore, the exemption should be 100 percent. Another error related to the total rentable square footage used in the exemption calculation changed the weighted exemption calculation from 57.6 percent to 54.3 percent. The third weighted exemption percentage error resulted in a change from 33.7 percent to 33.4 percent. Finally, the weighted exemption percentage error resulted in a change from 1.3 percent to 1.2 percent. While we recognize not all errors are significant in nature, the data is inaccurate—possibly resulting in the over- or undercollection of property taxes.

We also noted three properties, or 6 percent of the total, that lacked complete lease documentation on file with the Assessment Division, hindering us from confirming that data and weighted exemption percentages were accurate. We found leases on file that did not match any of the information on the tracking spreadsheet, and a property with no lease on file to confirm the data in the tracking spreadsheet.
When we asked about the discrepancies, the Assessor’s Office stated the process was inherited, and it had not established a mechanism to ensure the information on the tracking spreadsheet was accurate.

As previously stated, U.S. Government Accountability Office standards define quality information as being “appropriate, current, complete, accurate, accessible, provided on a timely basis” and “from reliable sources.” It is imperative that management ensure quality information is maintained and necessary revisions are made for formulating informed decisions.25

While many of the inaccuracies we found did not affect the weighted exemption percentages and the property taxes collected, it is imperative lease information is accurate, complete, and from reliable sources. Without accurate and complete information, management cannot ensure the lease exemption calculations—especially where the exemption is partial or weighted—are accurate, thus potentially resulting in the over- or undercollection of property taxes.

**RECOMMENDATION 2.7**

**Document Lease Monitoring Procedures** – As part of the new property tax system implementation, the Assessment Division should establish and document procedures to ensure information used for monitoring leases is accurate. Documentation should include, but not be limited to: methodologies for calculating weighted exemption percentages; the source of record for total rentable square footage, such as the lease and/or OASIS; and a process for supervisory review to ensure accuracy and completeness of the information.

**Agency Response:** Agree, Implementation Date – Jan. 17, 2020

**RECOMMENDATION 2.8**

**Correct Inaccurate Weighted Exemption Percentages** – The Assessment Division should calculate the amount of property taxes potentially over- or undercollected due to the inaccurate weighted exemption calculations for properties affected. Once calculated, the Assessment Division should contact the affected property owners to determine an appropriate course of action for resolving previously inaccurate property taxes collected.

**Agency Response:** Agree, Implementation Date – Jan. 17, 2020

---

**RECOMMENDATIONS**

1.1 **Correct Accounting for the Exemption Reimbursement** – The Department of Finance should record the state’s reimbursement of the senior and disabled veteran property tax exemption as a government-mandated nonexchange transaction in the City’s financial accounting records beginning in 2019.

**Agency Response: Disagree**

Agency Narrative: We do not agree that the senior tax exemption program meets the GASB 33 definition of a government-mandated nonexchange transaction because we are not required to use the money for a specific purpose. This program does not precisely meet any of the classes of nonexchange transactions in GASB 33. GASB has acknowledged both of these points in our discussion with them. It is also important to note that GASB 33’s primary purpose is to define when to report nonexchange transactions in the financial statements, not which line item to report the revenue. There is nothing in dispute regarding the timing of our revenue recognition.

There isn’t a general ledger account or financial statement line item called government-mandated nonexchange transactions in which to record this revenue as the Auditor’s Office recommended.

Nonexchange transactions would fall within an existing and commonly used revenue category more specific to what it is, such as property taxes or intergovernmental revenue. In our discussion with GASB, they stated that they cannot tell us from a reality or practical standpoint how to report this revenue and that we should consider all the factors and use professional judgment when deciding on which line item to report the revenue.

Solely from a conceptual standpoint, the state’s senior tax exemption program does not meet the definition of property taxes. However, after lengthy discussion and consideration, we have decided it is in the best interest of the Comprehensive Annual Financial Report (CAFR) readers to continue to report it with property tax revenue. This pragmatic approach is not materially misleading and provides consistency and comparability in reporting. When deciding how to report it, we looked at several factors.

- We record the official tax levy as a receivable and deferral at year-end, which reflects what was publicized to the citizens as property taxes levied and to be collected. Trying to adjust that amount for the senior tax exemption payment that will be received the subsequent year would be difficult and confusing.

- For three years during the last economic downturn, the state didn’t fund the program. In this scenario, which could happen again, it would be collected from the property owner and reported as property taxes. We shouldn’t change our reporting year over year depending on whether the state program is funded or not.
• We do not believe this in any way negatively affects our bond agreements.

• Other counties in the state, as well as Denver Public Schools (the largest recipient of this money), report it the same way as property tax revenue.

• There are other areas in the CAFR where reporting would be negatively impacted. Many financial decisions involve the analysis of financial trends over time and property tax revenue is inevitably an area of interest. Without consistent reporting, the data becomes less meaningful.

Auditor’s Addendum: As stated in the audit report, state law mandates the City provide a property tax exemption each year to eligible seniors and disabled veteran homeowners. This reduces or eliminates the amount of property taxes owed by those homeowners and the amount of taxes collected by the City to fund its operations, as well as reduces amounts collected by the City on behalf of other government entities, such as Denver Public Schools. The state then reimburses the City for the amount of the exemptions, less any unallowed exemptions.

The state providing funds on a reimbursement basis versus an advance basis does not change the mandate underlying the funds. The funds are provided by the state to the City to fund the senior and disabled veteran property tax exemptions.

In our conversation with Governmental Accounting Standards Board, or GASB, officials, they initially wavered on whether or not the transaction had a specific eligibility requirement that would normally be found in a government-mandated nonexchange transaction but agreed that the transaction substantively met the definition of a government-mandated nonexchange transaction. We maintain that the requirement for seniors and disabled veterans to meet certain eligibility criteria (age or disabled status, length of residency in the primary residence, among others) meets the eligibility requirement of a government-mandated nonexchange transaction.

As the Controller’s Office noted in its response, for the three years during the last economic downturn, the state didn’t fund the program. As a result, the tax exemptions were not provided. Based on this, the substance of the state funding is used for a specific purpose, as required to meet the GASB 33 definition of a government-mandated nonexchange transaction.

Our recommendation did not specify what general ledger account or comprehensive annual financial report treatment should be used for reporting the reimbursement payment, only that it should be correctly classified in the general ledger and, by implication, in the comprehensive annual financial report. The Controller’s Office could use an existing general ledger account or create a new account to account for the proceeds from the reimbursement in the general ledger.

While we did not recommend changing anything with revenue recognition, the Controller’s Office should be reviewing revenue recognition on an ongoing basis to ensure that such recognition is appropriate.
1.2 Provide Complete Data to Other Entities – The Department of Finance should review what data is provided to Denver Public Schools and other government entities regarding property taxes and reimbursements related to the tax exemptions. If that data is not sufficiently clear as to the source of the funds, the department should modify the reporting to those entities to make certain they receive accurate data regarding property taxes and tax exemption reimbursements to ensure they can provide accurate financial reporting.

Agency Response: Disagree

Agency Narrative: As noted in the finding, this data is already provided on a monthly basis to the recipients of property truces, as well as the general public, as it is published on denvergov.org. The recipients know and understand that the line item on the report is for the state’s senior tax exemption program. We have confirmed with Denver Public Schools that they report the funds in the same manner as they do property taxes. It is up to each recipient to decide on the most appropriate way to report the funds.

2.1 Develop, Document, and Implement Policies and Procedures – During the implementation of the new property tax system, the Department of Finance, including the Assessment Division, Treasury Division, and Controller’s Office, should develop, document, and implement policies and procedures for processes related to property tax assessment. Policies and procedures should identify, at a minimum:

- Responsible parties
- Chain of custody
- Review and approval procedures
- Documentation requirements
- A timeline for periodic review and approval to update policies and procedures

Agency Response: Agree, Implementation Date – Oct. 1, 2020

Agency Narrative: The Department of Finance will develop electronic policy/procedure documents during the conversion to iasWorld.

2.2 Develop and Document Procedures to Accurately Capture Omitted Properties – The Assessment Division should work with the Controller’s Office and Treasury Division to ensure all omitted properties are properly captured in certifications of valuation provided to third-party entities. Additionally, because third-party entities rely on certifications for budgeting and property tax rate-setting purposes, the Assessment Division should use the Assessors’ Reference Library as guidance to ensure data is accurate.

Agency Response: Agree, Implementation Date – Jan. 17, 2020

Agency Narrative: All divisions will work collaboratively to ensure omitted property, if any, is accurately reported.

2.3 Track and Monitor Omitted Properties Data – The Assessment Division should work with the
Controller’s Office and Treasury Division to establish and document procedures to track and monitor data related to omitted real and personal properties to identify potential trends and ensure omissions are not due to data entry or other administrative errors.

**Agency Response: Agree, Implementation Date – Jan. 17, 2020**

Agency Narrative: All divisions will work collaboratively to ensure omitted property, if any, is accurately reported.

2.4 **Obtain Clarification of State Law** – The Treasury Division should work with the City Attorney’s Office to clarify Colorado Revised Statutes § 39-10-104.5(10) with regard to waiving interest and fees due to delinquent taxes. Based on its findings, the Treasury Division should adjust and document its policies and procedures on granting waivers accordingly.

**Agency Response: Agree, Implementation Date – Nov. 30, 2019**

Agency Narrative: The Treasury Division will work with the City Attorney’s Office to clarify the interpretation of Colorado Revised Statute §39-10-104.5(10), and based on the findings will document its policy and procedures regarding granting waivers.

2.5 **Establish and Document Criteria for Waiving Fees** – Based on the guidance obtained from the City Attorney’s Office as part of Recommendation 3.4, the Treasury Division should establish criteria for when interest, fees, and penalties are eligible to be waived as well as a process for review, approval, and documentation of waived interest and fees.

**Agency Response: Agree, Implementation Date – Nov. 30, 2019**

Agency Narrative: The Treasury Division will establish criteria for when interest, fees, and penalties are eligible to be waived, and will develop a process to review, approve and document the waiver of interest and fees.

2.6 **Establish Procedures for Accounting for Waived Interest and Fees** – With implementation of Recommendation 3.5, the Treasury Division should work with the Controller’s Office to identify procedures to properly record and account for waived interest and fees.

**Agency Response: Agree, Implementation Date – Dec. 31, 2019**

Agency Narrative: The Treasury Division will work with the Controller’s Office to ensure waived interest and fees are properly recorded and accounted.

2.7 **Document Lease Monitoring Procedures** – As part of the new property tax system implementation, the Assessment Division should establish and document procedures to ensure information used for monitoring leases is accurate. Documentation should include, but not be limited to: methodologies for calculating weighted exemption percentages; the source of record for total rentable square footage, such as the lease and/or OASIS; and a process for supervisory review to ensure accuracy and completeness of the information.

**Agency Response: Agree, Implementation Date – Jan. 17, 2020**
Agency Narrative: Current established procedures will be documented more clearly. Cooperation from the property owner will be essential but cannot be guaranteed.

2.8 Correct Inaccurate Weighted Exemption Percentages – The Assessment Division should calculate the amount of property taxes potentially over- or undercollected due to the inaccurate weighted exemption calculations for properties affected. Once calculated, the Assessment Division should contact the affected property owners to determine an appropriate course of action for resolving previously inaccurate property taxes collected.

Agency Response: Agree, Implementation Date – Jan. 17, 2020

Agency Narrative: There really isn’t a need to calculate the property taxes as part of this rather it will occur if/when the property owner chooses to appeal. We will attempt to reach out to the property owners but cannot predict their decision. I would ask the Auditor’s Office to specifically identify the affected properties.
October 7, 2019

Auditor Timothy M. O'Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. O’Brien,

The Office of the Auditor has conducted a performance audit of the Property Tax Assessment Process.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on September 17, 2019. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1
The City incorrectly recorded and reported the state reimbursement for the senior and disabled veteran property tax exemptions

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<thead>
<tr>
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Narrative for Recommendation 1.1
We do not agree that the senior tax exemption program meets the GASB 33 definition of a government-mandated nonexchange transaction because we are not required to use the money for a specific purpose. This program does not precisely meet any of the classes of nonexchange transactions in GASB 33. GASB has acknowledged both of these points in our discussion with them. It is also important to note that GASB 33’s primary purpose is to define when to report nonexchange transactions in the financial statements, not which line item to report the revenue. There is nothing in dispute regarding the timing of our revenue recognition.

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- For three years during the last economic downturn, the state didn’t fund the program. In this scenario, which could happen again, it would be collected from the property owner and reported as property taxes. We shouldn’t change our reporting year over year depending on whether the state program is funded or not.
- We do not believe this in any way negatively affects our bond agreements.
- Other counties in the state, as well as Denver Public Schools (the largest recipient of this money), report it the same way as property tax revenue.
- There are other areas in the CAFR where reporting would be negatively impacted. Many financial decisions involve the analysis of financial trends over time and property tax revenue is inevitably an area of interest. Without consistent reporting, the data becomes less meaningful.

**RECOMMENDATION 1.2**
The Department of Finance should review what data is provided to Denver Public Schools and other government entities regarding property taxes and reimbursements related to the tax exemptions. If that data is not sufficiently clear as to the source of the funds, the department should modify the reporting to those entities to make certain they receive accurate data regarding property taxes and tax exemption reimbursements to ensure they can provide accurate financial reporting.

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Narrative for Recommendation 1.2
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AUDIT FINDING 2
The Department of Finance should improve oversight of the property tax system and processes

RECOMMENDATION 2.1
During the implementation of the new property tax system, the Department of Finance, including the Assessment Division, Treasury Division, and Controller’s Office, should develop, document, and implement policies and procedures for processes related to property tax assessment. Policies and procedures should identify, at a minimum:

- Responsible parties
- Chain of custody
- Review and approval procedures
- Documentation requirements
- A timeline for periodic review and approval to update policies and procedures

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| Agree                                 | October 1, 2020                                                                 | Keith Ertwiney 720-913-4060  
                                           |                                                                                | Steve Ellington 720-913-9384  
                                           |                                                                                | Beth Machann 720-913-5515 |

Narrative for Recommendation 2.1
The Department of Finance will develop electronic policy/procedure documents during the conversion to iasWorld.

RECOMMENDATION 2.2
The Assessment Division should work with the Controller’s Office and Treasury Division to ensure all omitted properties are properly captured in certifications of valuation provided to third-party entities. Additionally, because third-party entities rely on certifications for budgeting and property tax rate-setting purposes, the Assessment Division should use the Assessor’s Reference Library as guidance to ensure data is accurate.
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**Narrative for Recommendation 2.2**
All divisions will work collaboratively to ensure omitted property, if any, is accurately reported.

**RECOMMENDATION 2.3**
The Assessment Division should work with the Controller’s Office and Treasury Division to establish and document procedures to track and monitor data related to omitted real and personal properties to identify potential trends and ensure omissions are not due to data entry or other administrative errors.

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**Narrative for Recommendation 2.3**
All divisions will work collaboratively to ensure omitted property, if any, is accurately reported.

**RECOMMENDATION 2.4**
The Treasury Division should work with the City Attorney’s Office to clarify Colorado Revised Statutes § 39-10-104.5(10) with regard to waiving interest and fees due to delinquent taxes. Based on its findings, the Treasury Division should adjust and document its policies and procedures on granting waivers accordingly.

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<td>Agree</td>
<td>November 30, 2019</td>
<td>Steve Ellington 720-913-9384</td>
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**Narrative for Recommendation 2.4**
The Treasury Division will work with the City Attorney’s Office to clarify the interpretation of Colorado Revised Statute §39-10-104.5(10), and based on the findings will document its policy and procedures regarding granting waivers.
## RECOMMENDATION 2.5

Based on the guidance obtained from the City Attorney’s Office as part of Recommendation 2.4, the Treasury Division should establish criteria for when interest, fees, and penalties are eligible to be waived as well as a process for review, approval, and documentation of waived interest and fees.

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<td>Agree</td>
<td>November 30, 2019</td>
<td>Judy Bonato 720-913-9319</td>
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**Narrative for Recommendation 2.5**

The Treasury Division will establish criteria for when interest, fees, and penalties are eligible to be waived, and will develop a process to review, approve and document the waiver of interest and fees.

## RECOMMENDATION 2.6

With implementation of Recommendation 2.5, the Treasury Division should work with the Controller’s Office to identify procedures to properly record and account for waived interest and fees.

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**Narrative for Recommendation 2.6**

The Treasury Division will work with the Controller’s Office to ensure waived interest and fees are properly recorded and accounted.
RECOMMENDATION 2.7
As part of the new property tax system implementation, the Assessment Division should establish and document procedures to ensure information used for monitoring leases is accurate. Documentation should include, but not be limited to: methodologies for calculating weighted exemption percentages; the source of record for total rentable square footage, such as the lease and/or OASIS; and a process for supervisory review to ensure accuracy and completeness of the information.

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RECOMMENDATION 2.8
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Please contact Keith Erffmeyer at 720-913-4060, Steve Ellington at 720-913-9384 or Beth Machann at 720-913-5515 with any questions.

Sincerely,

Beth Machann, CGFM
City Controller
cc: Valerie Walling, Deputy Auditor, CPA
Jeremy Creamean, CPA, Audit Supervisor
Kevin Sear, CPA, CIA, CISA, CFE, CGMA, Audit Director
Brendan Hanlon, Chief Financial Officer
Keith Erffmeyer, Assessor
Steve Ellington, Treasurer
OBJECTIVE

The audit had three objectives:

1. To determine whether the City’s policies and procedures related to the property tax assessment process are effective to ensure compliance with regulations and promote data accuracy and completeness;
2. To examine whether the current tax-increment financing law should be amended to permit adjustments to the base level when an exempt property is converted to a nonexempt property to allow for the timely recovery of infrastructure costs incurred by the City; and
3. To analyze whether the City is recovering the costs of services associated with the assessment and collection of property taxes on behalf of third-party entities, such as Denver Public Schools, the Denver Urban Renewal Authority, and other special districts.

SCOPE

The audit assessed the City’s property tax assessment process including practices and internal controls, as well as the City’s compliance with laws and regulations. Additionally, we analyzed tax-increment financing related to the zero-based valuation of exempt properties, interest earned on tax dollars held prior to remittance to third-party entities, and commissions associated with the collection of taxes on behalf of these entities.

We reviewed documentation to support current practices and internal controls, compliance with laws and regulations, and commissions collected between 2017 and 2018. Our analysis of the tax-increment financing related to the zero-based exempt properties included data from 2015 to 2018.

METHODOLOGY

We used several methodologies to gather and analyze information related to the audit objectives. The methodologies included, but were not limited to:

- Interviewing the following individuals:
  - Personnel from the City’s Department of Finance and the Technology Services agency
  - The Denver Urban Renewal Authority’s executive director
  - The Governmental Accounting Standards Board’s project manager
  - Denver Human Services’ operations coordinator
- Reviewing the following criteria:
  - Colorado Revised Statutes, Titles 30, 31, and 39
  - Assessors’ Reference Library, Volumes 2, 3, and 5
○ Governmental Accounting Standards Board statements and implementation guides
○ Government Finance Officers Association guidance on fee-setting and cost recovery
○ The City’s Fiscal Accountability Rules specific to supporting documentation, financial disclosures, and updated policies and procedures
○ The Department of Finance’s internal policies and procedures related to the property tax assessment process

• Analyzing the following:
○ Personal property protest forms filed in 2017 and 2018
○ Division of Property Taxation’s final determination letters for 2017 and 2018
○ Certifications of valuation for the City and County of Denver for 2017 and 2018
○ ArcGIS district boundary and parcel graphics
○ OASIS property tax system information related to parcels, such as exemptions, interest and fees, property class codes, and tax districts
○ Division of Property Taxation review results of senior and disabled veteran exemptions for 2017 and 2018
○ State leases for properties as of 2018
○ The list of tax-increment financing projects from the Denver Urban Renewal Authority, as well as supporting documentation for base increments, commissions, and net tax distributions
○ COLOTRUST and Treasury Division sweep account earnings compared to City earnings
○ ARDIST tax distributions for 2017 and 2018

• Performing sampling and testing against reviewed criteria for the following:
○ All 98 personal property protests between 2017 and 2018, compared to the protest deadlines as set by Title 39 of the Colorado Revised Statutes and as stated on the notice of valuation.
○ All 18 certifications of valuation between 2017 and 2018, compared to the Treasurer’s and Controller’s Office reports for omitted real and personal properties.
○ A random sample of four (17 percent) out of 23 special district inclusions and exclusions for 2017 and 2018, compared to ArcGIS district map data and OASIS tax district data.
    A random sample using Randomizer.org was chosen following American Institute of Certified Public Accountants (AICPA) sampling guidance for populations under 250, which requires a sample of 10 percent. Since 10 percent of 23 transactions resulted in a sample of only two and did not include both inclusions and exclusions for 2017 and 2018, we chose to randomly sample an additional two transactions.
○ A random sample of 12 (18 percent) of 66 state exemptions for 2017 and 2018, compared to Treasury adjustment packets and OASIS parcel data.
    A random sample using Randomizer.org was chosen following AICPA sampling guidance for populations under 250, which requires a sample of 10 percent. Since 10 percent of the transactions did not include a sample from all state exemption property tax codes, we chose to randomly sample two additional transactions from the property class codes originally excluded.
Office of the Auditor

The **Auditor** of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies and contractors for the purpose of ensuring the proper and efficient use of City resources. He also provides other audit services and information to City Council, the Mayor, and the public to improve all aspects of Denver’s government.

The **Audit Committee** is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities regarding the integrity of the City’s finances and operations, including the reliability of the City’s financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

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**Our Mission**

We deliver independent, transparent, and professional oversight in order to safeguard and improve the public’s investment in the City of Denver. Our work is performed on behalf of everyone who cares about the City, including its residents, workers, and decision-makers.