



City Manager's Office

MEMORANDUM

DATE: 03/16/23

TO: Mayor, City Council, and the Financial Advisory Board

THROUGH: Doug Thornley, City Manager **Approved Electronically**

FROM: Emily E. Kidd, CIA, CFE, CGAP, Internal Auditor

SUBJECT: City Auditor's Office - Summary of Due Diligence Oversight Review, Downtown Reno Partnership

At the Financial Advisory Board Meeting on March 9, 2023, a presentation was heard regarding the *Downtown Reno Partnership Review - Financial Analysis & Compliance Reporting* conducted by the City Auditor's Office.

This due diligence oversight review, including compliance testing against the Agreement, was completed in March 2022 and resulted in three areas of risk: annual financial audits, evaluation of the BID, and quarterly reports. Additional documents were provided to the auditor by the Downtown Reno Partnership (DRP) in July 2022 that resolved the report's findings except the evaluation of the Business Improvement District (BID). This initial review also included a year-over-year analysis of the DRP's reported budget data.

Additional oversight review was conducted by the City Auditor's Office in late 2022 resulting in the reporting document *Downtown Reno Partnership Board of Directors Tenure - Internal Audit Review* that reports expired term durations. The criteria for term durations are included in the DRP's bylaws, Article IV, Section 2. "Number, Tenure, and Qualifications." This criteria is *not* included in the Agreement between the City and the DRP, although it *is* included in the Management Plan, "District Governance" that outlines the high-level governance structure for the board. The Agreement does not establish a board member's duration, and the duration of board members is not controlled by the City or Reno, is not impacted by the City of Reno, and does not change the Agreement between the City of Reno and the DRP.

Finally, the Agreement states, "3.6 Evaluation of BID. Prior to Fiscal Year 2022/2023, Association and City shall undergo a formal evaluation of the BID." The City completed their due diligence oversight review prior to fiscal year 2022/2023, and considers this review to meet the requirements of the review outlined in the agreement.

Based on feedback received during the reporting of the Auditor's review, additional evaluative methods are planned by the City of Reno to include a fact-finding effort to understand what was contemplated initially by requiring a "formal evaluation of the BID."