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Department of Transportation & Infrastructure
City & County of Denver

 (DOTI)

To: Denver County Board of Equalization (BOE)

Date: Monday, November 18, 2024

RE: Investigative Findings for 20th Street Pedestrian Mall Local Maintenance District (LMD)

Dear City Council and Board of Equalization member,

This letter provides a summary of the findings from DOTI's internal investigation into the alleged misuse of funds by the board of the 20th Street Pedestrian Mall LMD. The investigation, which was initiated on June 24, 2024, was conducted in accordance with the City of Denver's policies and procedures, including a review of financial records, interviews with relevant personnel, site visits, and the examination of supporting documentation. In addition, the investigation process and subsequent findings were reviewed and approved by the Denver City Attorney's Office.

Investigative Timeline

When concerns regarding the LMD were raised, DOTI took immediate action to investigate and remedy LMD activities. On June 24, 2024, DOTI discovered a board member who was not authorized on the LMD's bank account was issuing checks on behalf of the LMD. An out-going board member had given the new member access to the checkbooks unbeknownst to DOTI. On June 26, 2024, DOTI directed the new board member to immediately cease issuing and signing checks on behalf of the LMD and to return the checkbook to DOTI's possession. Between June 24, 2024, and August 14, 2024, DOTI requested and reviewed financial records, including invoices, check copies, credit card statements, bids and contracts for services, payors and payees, receipts, communications, and checkbook possession, to confirm no LMD funds were used for unauthorized purposes.

Summary of Findings

After a thorough review, the investigation determined all invoices paid and costs incurred were for appropriate expenses authorized by the LMD. Key findings include:

- 1. No misuse of public funds**

It has been confirmed that a total of **\$132,731.82** was spent on the continuing care, operation, security, repair, maintenance, and replacement of district's local public improvements for the period of March 15, 2022, and June 30, 2024. DOTI confirmed these funds were allocated and expended for their authorized and intended purposes, including tree canopy, irrigation, tree

guards, tree grates and trash receptacles. Invoices received and paid matched quality and quantity of work completed in the field as observed by two separate site visits conducted by DOTI.

2. **Unauthorized signatory and pass-through account for LMD board-approved expenditures**
Despite the specific transactions in question being authorized and expended for appropriate LMD purposes, the funds were not expended through LMD fiscal policies. First, the board member signing and issuing the checks was not an authorized signer on the LMD board bank account. In addition, the board member issued checks to his own company as a pass-through entity before paying the contractors for services. The issuing of checks by this board member was immediately stopped upon its discovery. DOTI confirmed with all contractors and payees that no funds were withheld by the board member's company, and all LMD board authorized expenses were paid in full to the contractors completing the public improvements.

As a result of the investigation, DOTI is taking action to avoid similar activities in the future.

1. **Strengthening Internal Controls**

Stricter internal controls will be implemented, including, but not limited to:

- a. Preventing financial access from anyone who has not been expressly granted that authority. This includes, but is not limited to, access to bank accounts, city financial information and checking accounts.
- b. Requiring that contractors engaged in district work must first receive a written and signed contract between the contractor and the city and has been reviewed and approved by DOTI.
- c. Requiring that district board members must sign an agreement with the city upon their appointment regarding the handling of public funds, accounting, and ethics.

2. **Ongoing Monitoring**

Further monitoring of the possession of district checkbooks to include a tabulation of which board member possesses the district checkbook. DOTI Finance and Accounting to establish protocols on checkbook tracking that aligns with their LMD districts' quarterly reporting requirements to ensure that corrective measures are effectively applied.

We appreciate your attention to this matter and are committed to taking the necessary steps to prevent any similar recurrences in the future. Please let me know if you require any additional details or clarification on any of the findings or remedies outlined above.

Thank you for your time and consideration.

Amy Ford, Executive Director
Department of Transportation & Infrastructure
City & County of Denver