



August 1, 2016

Senator Rob Cowles  
118 South – State Capitol  
Madison, WI 53707

Representative Samantha Kerkman  
315 North –State Capitol  
Madison, WI 53707

Dear Senator Cowles and Representative Kerkman:

The Legislative Audit Bureau's Report 15-3 included a recommendation for WEDC to submit to the Joint Legislative Audit Committee by August 1, 2016, information on its loan portfolio for the six-month period from January 2016 through June 2016. The requested reports are attached for your review. In addition, I am also providing a copy of the FY17 WEDC Compliance Plan approved by the WEDC Board of Directors at its July 2016 Board meeting as well as a final copy of the response document initially submitted in December 2015.

I would also like to take this opportunity to provide an update on our award administration process. As recommended by LAB and the Center for Regional Economic Competitiveness, WEDC began the process of making systematic changes to shift our administration of awards from the original decision date to the contract execution date. Executing this shift has required significant changes in all phases of WEDC's awards administration and our staff has invested numerous hours to ensure our systems were ready for this transition, which became effective on July 1, 2016. We will continue to monitor the implementation of this modification and work with our stakeholders to address any concerns that arise.

Consistent with what was reported in December, WEDC is meeting the timelines communicated as related to the implementation of 25 LAB recommendations. Continuous process improvement efforts are incorporated into all areas of WEDC's operations, and we are committed to communicating those efforts in a transparent manner and providing on-going updates to the Board of Directors, the legislature and our stakeholders.

If you have any questions or would like additional information, please let me know.

Kind regards,

Mark R. Hogan  
Secretary and CEO

CC: Joint Legislative Audit Committee  
Joint Committee on Finance



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Portfolio Delinquency Rates

Date	Portfolio Principal	Payment Delinquency		Principal Delinquency Rate	
		Amount	Percentage	Amount	Percentage
June 30, 2015	\$ 73,086,362	\$ 436,377	0.6%	\$ 5,213,715	7.1%
December 31, 2015	79,293,100	305,158	0.4%	3,963,326	5.0%
June 30, 2016	77,488,416	553,735	0.7%	5,209,870	6.7%
<b>Change - Recent 6 Month Period</b>	<b>\$ (1,804,684)</b>	<b>\$ 248,578</b>	<b>0.3%</b>	<b>\$ 1,246,543</b>	<b>1.7%</b>

Reasons for the Change in Loan Balance for Loans with Repayments 90 Days or More Past Due

	Principal Balance	Loans
<b>Delinquent Loans as of June 30, 2015</b>	<b>\$ 5,213,715</b>	<b>22</b>
Loans that have been amended, deferring payments	(2,021,218)	(11)
Loans that have been amended, deferring payments, but are still delinquent at 12/31/15	338,835	1
Loans that have been written off	(730,636)	(5)
Loans that have made payments to become current	-	-
Loan partial principal payments made on delinquent loans	(7,300)	
New loans that have become delinquent	1,169,930	7
<b>Delinquent Loans as of December 31, 2015</b>	<b>\$ 3,963,326</b>	<b>14</b>
Loans that have been amended, deferring payments	(755,780)	(3)
Loans that have been amended, deferring payments, but are still delinquent at 6/30/16	-	-
Loans that have been written off	(1,017,885)	(2)
Loans that have made payments to become current	(38,071)	(3)
Loan partial principal payments made on delinquent loans	(104,855)	
New loans that have become delinquent	3,163,135	11
<b>Delinquent Loans as of June 30, 2016</b>	<b>\$ 5,209,870</b>	<b>17</b>

# MEMO

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**To:** WEDC Board of Directors  
**From:** Hannah L. Renfro, Chief Legal Officer  
Carmi Pietila Cleary, Compliance Director  
**CC:** Mark Hogan, Secretary & Chief Executive Officer  
Tricia Braun, Deputy Secretary & Chief Operating Officer  
Brian Nowicki, Chief Financial Officer  
**Date:** June 15, 2016  
**Re:** Fiscal Year 2017 Compliance Plan

This memo outlines WEDC's FY17 Compliance Plan. Each WEDC employee is empowered and entrusted to exemplify the highest of ethical standards. The Compliance Plan represents our commitment to our core values, especially accountability and transparency. The Compliance Plan is led by the Compliance Team but carried out by the organization.

Like the FY16 report, the FY17 Compliance Plan is organized by the following essential elements of a compliance plan: standards of conduct, oversight, education and training, monitoring and auditing, reporting and investigating, enforcement and discipline, and response and prevention.

## 1. Standards of Conduct

WEDC operates under three primary sets of standards of conduct: the Code of Ethics & Conduct, divisional procedures and program guidelines. In December 2015, the Board approved the Code of Ethics & Conduct ("Code"). The Code serves as WEDC's employee handbook, provides additional guidance on operations, and represents WEDC's commitment to continuous improvement and operational efficiency. Its creation also represents a thoughtful, thirteen-month process whereby the Risk Manager and Compliance team worked diligently with each systems policy owner to convert each system policy to a section of the Code, a divisional procedure or a standalone policy. The Code was deployed to staff in January 2016.

Each team now owns and manages the former systems policies that were converted to divisional procedures. Divisional procedures reside in their respective team and continue to be evaluated for efficacy. Additionally, staff continue to add additional divisional procedures as processes evolve and are improved upon.

The new Compliance & Ethics Committee will develop and review cross-functional procedures and advising on the best means for execution of this Compliance Plan. The C&E Committee is comprised of the Compliance team and representatives from programmatic and support divisions. This allows for both executive buy-in and input from the staff who are most heavily impacted by the Committee's work. The C&E Committee provides a cross-divisional approach to developing internal controls and processes that support adherence to this Plan.



WEDC's program guidelines direct the administration of WEDC's award programs. Each WEDC program is covered by a program guideline that describes the program, its purpose, budget, activities and expected outcomes, relevant statutory parameters, among other information. The programmatic divisions work with management and program managers to develop the initial guidelines that are then led through a process of vetting with the Office of Public Policy. WEDC has further enhanced its development and approval process for program guidelines by retaining outside counsel to confirm program guidelines contain statutory requirements. After this review, the program guidelines are approved by the COO and CEO, and are included in each fiscal year's operations plan for the Board's approval.

## **2. Oversight**

Consistent with best practices, WEDC continues to rely on multiple layers of oversight. Compliance and ethics remain a top priority for Board and management, establishing this as WEDC's first layer of oversight. Through frequent and timely communication to the Board by management, the Board is apprised of WEDC's operational updates. Additionally, the Board's Committees provide additional oversight through engagement with and review of WEDC's economic development awards, budget and operations plan, and finance related matters, as well as evaluation of WEDC's audits and monitoring. In addition, the Chair of the Board's Audit Committee serves as one of the whistleblower contacts for WEDC.

A second layer of oversight is quality assurance and internal control functions that are embedded into WEDC's operations. All teams have established rigorous controls in their operations. Additional quality assurance staff have been added to the new Operations & Program Evaluation team to enhance this function. An additional component of this second layer is WEDC's robust training program. WEDC's Human Resources team collaborates with the Compliance team for training staff on the Code of Ethics & Conduct, overseeing compliance with mandatory training, and including compliance as part of employees' performance evaluations.

The final layer of oversight consists of internal monitoring and independent assurance. WEDC's Risk Management staff perform internal monitoring of WEDC's operations, which is discussed in greater detail in the "Monitoring and Auditing" section below. Independent assurance is provided by a private, independent auditor and the State of Wisconsin's Legislative Audit Bureau (LAB). Wisconsin law requires that WEDC be subject to an annual independent financial audit, a biennial financial audit by LAB, and a biennial programmatic audit by LAB.

## **3. Education and Training**

A crucial component of WEDC's compliance plan is its training program. WEDC's experienced Trainer has developed a robust training program centered on WEDC's core values and commitment to compliance, ethical behavior and operational excellence. Training program development relies on internal monitoring results, recommendations from external audits, and identified process improvement needs.

WEDC has also expanded its method of delivery for trainings by incorporating webinars and online interactive learning modules. WEDC will continue to invest in a multimodal Learning and Development strategy led by the Learning and Organization Development Specialist. The LOD Specialist and team leaders will develop Learning Paths for training WEDC staff. Offering both live and online trainings reaches all



learning styles and maximizes comprehension, which supports adherence to WEDC's compliance plan.

The Learning and Organization Development (LOD) Strategy will employ varied methodologies including On-The-Job training, eLearning via our Learning Management System, live and recorded webinars, instructor-led and subject matter expert-led facilitated training, and self-directed/self-paced continuing development. Learning content will be vetted by team leaders and Human Resources prior to delivery to ensure alignment with the Code of Ethics & Conduct, procedures, and the WEDC mission and vision, core values, and strategic pillars.

Additionally, role specific learning and development will be conducted on a regular basis throughout the organization to improve compliance, improve processes, increase efficiencies, and enhance leadership skills. In FY17, our commitment to compliance training will include training focused on topics such as Ethics and Drug-Free Workplace. Supplemental training will be focused on new technologies and systems, process changes or improvement, and leadership development. Learning gaps will be identified and reported through observations from leaders, learning surveys, and identified business objectives and priorities.

A selective, focused and practical approach will be developed and utilized to assess the impact of the LOD strategy and deliverables. These evaluations will curate best practices, recommended changes to delivery and content, and foster continuous process improvement in LOD.

The Compliance & Ethics Committee will manage communications related to and arising from the Compliance Plan, including decisions on the substance, form of delivery, and points of contact.

#### **4. Monitoring and Auditing**

##### ***Internal Reviews***

WEDC's Risk Management staff continue to monitor areas of risk for the organization and further enhance the identification, prioritization and ultimately the mitigation of organizational risk. Risk Management staff develop each fiscal year's internal monitoring strategy and review these with executive management, the Board's Audit Committee, and the full Board. Additionally, the previous fiscal year's results are reviewed by executive management, the Board's Audit Committee and full Board.

Internal monitoring will be conducted in the following areas: applications, reading of and training on the Code, inventory security, key logs, physical security, performance reports, procurement, travel and expense reimbursement, underwriting guidelines, template and forms versioning, disbursements, post-closeout review, and corrective actions associated with LAB audit recommendations.

Risk Management staff have also instituted a process whereby WEDC's corrective actions associated with LAB's recommendations are monitored and evaluated regularly. These results inform the continuous improvement for such corrective actions.



### ***External Audits***

Pursuant to Wis. Stat. § 238.07(4), WEDC's independent auditor will conduct its audit of FY16 for presentation to the Board in the fall of FY17. In addition, we anticipate LAB will commence its regularly scheduled biennial programmatic and financial audits of WEDC in Fall 2016.

### ***Independent Verification***

WEDC has engaged an outside firm to conduct an independent verification of a sample of the annual reporting information WEDC receives from awardees. This verification will rely on source documentation on a sample selection basis. The scope of the review covers the following programs: Business Tax Credit, Development Opportunity Zone Tax Credit, Economic Development Tax Credit, Jobs Tax Credit, Business Opportunity Loan Fund, Special Project Loan Fund and Business Retention and Expansion Investment.

## **5. Reporting and Investigating**

Management, Human Resources, and the Legal & Compliance teams investigate matters of concern that may arise at WEDC. Matters are reported to the Board, CEO, and other management as needed to keep them informed of the Compliance Plan, its implementation, and any issues that arise in relation to the organization's compliance.

## **6. Enforcement and Discipline**

All levels of management are held to the highest ethical standards, which demonstrates their serious commitment to WEDC's compliance program. Management is expected to not only enforce this commitment with their staff but also model this behavior. Staff's adherence to the compliance program is subject to evaluation as part of the annual performance evaluation process. Managers are required to monitor their employees' acknowledgement of the Code, their training attendance and any non-compliance with the Code, WEDC's procedures, regulations and laws governing the organization. Staff who do not comply with such requirements are subject to discipline.

## **7. Response and Prevention**

WEDC continues to evaluate its mechanisms for reporting and responding to suspected noncompliance. In instances where noncompliance is suspected, the appropriate management is notified. If necessary, the Human Resources and Compliance teams collaborate to investigate the concern and develop prompt corrective action measures if necessary. Through internal monitoring, WEDC's Risk Management also develop corrective actions and evaluate their efficacy.

WEDC will also be incorporating recommendations from the Center for Regional Economic Competitiveness into its FY17 strategic planning.

The recommendations from LAB's Audit Report 15-3 and WEDC's updated responses are outlined in the attached spreadsheet.

FY14 LAB Audit 15-3 Recommendations and WEDC Response Updates

8/1/2016

Financial Assistance Programs					
Page	Recommendation	Response	Action	FY16 Internal Monitoring	Status
1. 23	We recommend the Wisconsin Economic Development Corporation execute a grant or loan contract only after a full staff review has been completed for the program through which the award is made.	<p>WEDC executes awards only after all necessary reviews are completed and approvals obtained according to its Awards Administration Policy. The awards underlying this recommendation were approved in 2011 or 2012. In 2013, WEDC implemented processes and policies that enhanced the requirements and, importantly, the controls to which awards and their staff reviews are subject.</p> <p>The primary means of documenting the details on an award is the staff review. However, as noted in the report, WEDC also relies on formal memoranda reviewed and approved through the Management Review Committee (MRC) process when necessary for handling any ancillary matters related to an award. These may include matters that were not covered in or arose after the staff review was completed. We will continue to evaluate this and other processes and policies for areas of improvement, including how to most effectively handle matters related to awards that arise after a staff review has been completed.</p>	In July 2013, WEDC implemented a process requiring staff reviews to be performed for all awards.	FY16 Internal Monitoring Follow-Up Check Completed during FY16 Internal Monitoring	Completed; Measure Implemented
2. 24	We recommend the Wisconsin Economic Development Corporation execute only grant and loan contracts that contain all statutorily required provisions.	WEDC's loan and grant contracts include all statutorily required language, including specifically the statutorily required remedies provisions. As LAB acknowledges in its report, that the contracts' remedies provision uses the word "may" instead of "shall" does not in any way affect WEDC's legal ability to enforce a clawback. The language used by WEDC is consistent with the statutes.	As of December 1, 2015, WEDC's contract templates have been updated to include a section covering penalties it shall pursue and penalties it may pursue, as provided by statutes.	Follow-Up Check Completed during FY16 Internal Monitoring	Completed; Task Completed
3. 26	We recommend the Wisconsin Economic Development Corporation ensure staff reviews evaluate all grant and loan program policy requirements; and execute only grant and loan contracts that comply with its program policies.	<p>WEDC's awards comply with the program guidelines that were effective at the time the original decision is made to approve the award and a letter of intent or award letter sent to the recipient. All of the awards underlying this recommendation were decided prior to adoption of the FY13 and FY14 program guidelines.</p> <p>WEDC has continued the longstanding Department of Commerce practice of administering awards based on the decision date. The decision date is the date on which the award is originally approved by management. This occurs after it has been underwritten. At that time, a chain of events surrounding the award is triggered, including encumbering funds and sending a letter of intent to the recipient. The letter of intent outlines the basic terms of the agreement and is signed by the recipient. WEDC applies the guidelines and policies as they existed at the time of the original decision date and the letter of intent or award letter is sent. Awardees rely on this date to assure business certainty in planning projects.</p>	On July 1, 2016, WEDC implemented modified processes and procedures to shift our administration of awards from being based on the original decision date to the contract execution date. This aligns with a recommendation from the Legislative Audit Bureau and the Center for Regional Economic Competitiveness.		Completed; Measure Implemented
4. 27	We recommend the Wisconsin Economic Development Corporation contractually require grant and loan recipients to submit information showing that jobs were actually created and retained.	Grant and loan recipients submit to WEDC performance reports documenting the number of jobs created and retained. An official of the recipient must sign the report, attesting to its accuracy. In addition, WEDC conducts an annual award verification on a sample of performance reports to verify the accuracy of the reports.	<p>In FY16, WEDC will be hiring an independent auditor to verify the accuracy of the jobs reported by WEDC, in addition to auditing WEDC's financial statements. The results will be included in the audit presented to WEDC's Audit Committee of the Board and the full Board of Directors in the fall of 2016.</p> <p>July 2016 Update: WEDC has engaged an independent outside audit firm to conduct an annual award verification on a sample of Fiscal Year 2016 performance reports, to verify that the jobs and capital expenditures that were reported to WEDC can be tied back to source documentation of the project company. The verification review is on track to be completed this fall, with the results to be presented to WEDC's Audit Committee of the Board.</p>		In Progress
5. 31	We recommend the Wisconsin Economic Development Corporation: determine the loan balance for each of those loans that were amended to defer repayments, written off, or forgiven during each six-month period thereafter; determine each of those loans that were no longer 90 days or more past due during each six-month period thereafter because the recipient made loan repayments; determine the payment delinquency rate and the principle delinquency rate on July 1, 2015, and six months later and on January 1, 2016, and six months later; report this information to the Joint Legislative Audit Committee by February 1, 2016, for the six-month period from July 2015 through December 2015; and report this information to the Joint Legislative Audit Committee by August 1, 2016, for the six-month period from January 2016 through June 2016.	WEDC will, by February 1, 2016 and again by August 1, 2016, provide the Joint Legislative Audit Committee a copy of the quarterly loan delinquency reports routinely submitted to WEDC's Board of Directors; and will comply with any additional requests by that Committee.	<p>Starting January 1, 2016, WEDC prepares monthly loan delinquency reports, which are prepared within 30 days of the previous month for internal review.</p> <p>WEDC continues to prepare quarterly loan delinquency reports to be presented to the WEDC Board of Directors at each quarterly Board meeting.</p> <p>On February 1, 2016, WEDC provided to the Joint Legislative Audit Committee updated quarterly loan delinquency reports covering the period of July 1, 2015 to December 31, 2015. Additionally, accompanying this report is an updated loan delinquency report covering the period of January 1, 2016 to June 30, 2016. That report complies with the request for WEDC to provide such a report the Joint Legislative Audit Committee by August 1, 2016.</p>		Completed; Task Completed

FY14 LAB Audit 15-3 Recommendations and WEDC Response Updates

8/1/2016

Tax Credit Programs						
Page	Recommendation	Response	Action	FY16 Internal Monitoring	Status	
6.	40	We again recommend WEDC establish all statutorily required policies for its tax credit programs.	WEDC will continue to closely monitor its program guidelines and ensure that all statutory requirements are clearly outlined in the program guidelines. On June 30, 2015, the Board's Awards Administration Committee reviewed revised Development Opportunity Zone Tax Credit and Economic Development Tax Credit Program Guidelines that addressed the audit report's two specific concerns.	WEDC has performed a comprehensive review of statutory requirements in each of its program guidelines for FY17. WEDC also retained outside counsel to confirm program guidelines contain statutory requirements.		Completed: Task Completed
7.	41	We recommend the Wisconsin Economic Development Corporation ensure staff reviews evaluate whether businesses meet all eligibility requirements.	WEDC will continue to closely review its staff reviews and ensure that all program guideline requirements are included in them. The majority of the awards underlying this recommendation were approved in 2011 or 2012. In 2013, WEDC implemented new processes and policies that enhanced the requirements and, importantly, the controls to which awards and their staff reviews are subject. We will continue to evaluate those controls for means of improving them.	In July 2013, WEDC implemented new processes and policies that enhanced the requirements and, importantly, the controls to which awards and their staff reviews are subject.  WEDC continues to review its staff review checklists on at least an annual basis to ensure they capture the programmatic and statutory requirements.  WEDC has also implemented a requirement for revised program guidelines be reviewed and approved in conjunction with their corresponding staff review checklists.	Follow-Up Check Completed during FY16 Internal Monitoring	Completed: Measure Implemented
8.	43	We recommend the Wisconsin Economic Development Corporation establish policies that specify how long a completed staff review remains valid and that requires a new staff review to be completed if a contract has not been executed within that period of time.	The Board's Awards Administration Committee reviewed at its June 30, 2015 meeting a revised Awards Administration Policy that incorporates a requirement that staff reviews be completed again if more than a year passes before a decision date on the proposed award. The Board will review this policy at the July 20, 2015 Board meeting.	At the July 20, 2015 Board meeting, the WEDC Board of Directors referred the GOV ADM 121 Awards Administration Policy back to the Awards Administration Committee of the Board to consider a recommendation to require background checks prior to contract execution. On September 3, 2015, the Awards Administration Committee voted unanimously to recommend for Board approval a revised version of the policy that requires that new staff reviews be completed if more than 6 months pass before a decision has been made on a proposed award. WEDC staff have since implemented this change and now complete new staff reviews if more than 6 months pass before a decision has been made on a proposed award.  At the December 17, 2015 Board meeting, the Board reviewed and approved WEDC's new Code of Ethics and Conduct ("Code"), which incorporated the GOV ADM 121 Awards Administration Policy.	Follow-Up Check Completed during FY16 Internal Monitoring	Completed: Task Completed
9.	46	We recommend the Wisconsin Economic Development Corporation allocate tax credits only in accordance with statutory requirements and its program policies.	WEDC has implemented a thorough review and approval process, and will continue to evaluate means of improving those controls to ensure no details are missed either in staff reviews or contracts. Of the instances underlying this recommendation, there is one isolated incident of noncompliance – an award that used the wrong statutory salary threshold to calculate the tax credits for which the company was eligible. This resulted in an overpayment of \$400 to the company.	WEDC has evaluated its contracts and has determined no additional requirements need to be added at this time.  WEDC has performed a comprehensive review of statutory requirements in each of its contract templates for FY17.		Completed: Task Completed
10.	48	We again recommend the Wisconsin Economic Development Corporation allocate tax credits only for projects that have not yet begun when contracts are executed.	Consistent with statutes, WEDC allows award recipients to begin incurring expenses for projects after the certification date established by WEDC.	Consistent with statutes, WEDC continues to allow award recipients to begin incurring expenses for projects after the certification date established by WEDC.		Completed: Task Completed
11.	49	We recommend WEDC establish policies for verifying information submitted by businesses on the extent to which contractually specified outcomes were achieved, and award tax credits only in accordance with statutory requirements.	WEDC verifies the performance of tax credit award recipients by (1) receipt of a performance report signed by an official working for the recipient, attesting to the accuracy of the information included in the performance report; (2) receipt of payroll information from the recipient documenting the employees and wages; and (3) completing an annual verification of a sample of awards consistent with Wisconsin law, Wis. Stat. § 738.03(2)(e).  Commencing in FY16, additional information will be verified by an independent auditing firm. In addition, in FY16, WEDC will undertake a comprehensive review of all its award contract templates to ensure the language is clear and consistent surrounding all statutory and program guidelines requirements.	WEDC verifies the performance of tax credit award recipients by (1) receipt of a performance report signed by an official working for the recipient, attesting to the accuracy of the information included in the performance report; (2) receipt of payroll information from the recipient documenting the employees and wages; and (3) completing an annual verification of a sample of awards consistent with Wisconsin law, Wis. Stat. § 738.03(2)(e).  In FY16, WEDC will be hiring an independent auditor to verify the accuracy of the jobs reported by WEDC, in addition to auditing WEDC's financial statements. The results will be included in the audit presented to WEDC's Audit Committee of the Board and the full Board of Directors in the fall of 2016.  July 2016 Update: WEDC has engaged an independent outside audit firm to conduct an annual award verification on a sample of Fiscal Year 2016 performance reports, to verify that the jobs and capital expenditures that were reported to WEDC can be tied back to source documentation of the project company. The verification review is on track to be completed this fall, with the results to be presented to WEDC's Audit Committee of the Board.		In Progress
12.	50	We recommend WEDC establish policies for recovering previously awarded tax credits from recipients that did not meet contractual obligations.	In April 2014, WEDC had completed development of the necessary processes with the Department of Revenue to recoup tax credits when necessary. Because of the complexity, it took several months of discussion with multiple staff members of each agency to accomplish that task.	As of December 1, 2015, WEDC has referred six awards to the Department of Revenue (DOR) through the process implemented in April 2014 with DOR. WEDC maintains regular communication with DOR on this process.  July 2016 Update: WEDC maintains regular communication with DOR on this process.	Follow-Up Check Completed during FY16 Internal Monitoring	Completed: Task Completed



FY14 LAB Audit 15-3 Recommendations and WEDC Response Updates

8/1/2016

Program Results and Accountability						
Page	Recommendation	Response	Action	FY16 Internal Monitoring	Status	
13. 54	We recommend the Wisconsin Economic Development Corporation's governing board comply with statutes by establishing at least one quantifiable benchmark for each goal of its economic development programs.	Each of WEDC's programs include at least one goal and at least one quantifiable benchmark. Going forward, WEDC will ensure that in addition to establishing the goals and benchmarks, staff will clarify that each individual goal corresponds with an individual quantifiable benchmark. The revised program guidelines reviewed by the Board's Awards Administration Committee on June 30, 2015 included this clarification.	WEDC has performed a comprehensive review of statutory requirements in each of its program guidelines for FY17. WEDC also retained outside counsel to confirm program guidelines contain statutory requirements.		Completed: Task Completed	
14. 57	We recommend the Wisconsin Economic Development Corporation's governing board ensure its staff comply with its policy to send, in a timely manner, past-due notices to all award recipients that do not submit contractually required progress reports on time.	WEDC's performance report delinquency rate has decreased from 55% to 5.4% as noted in the audit report. With the changes made in staff and improvements in processes, that rate continues to improve.	In September 2015, WEDC implemented a performance reporting calendar delineating a timeframe for when the various past due notices will be sent out on a monthly basis. This ensures delinquency notices are sent out on a consistent time frame each month.	Follow-Up Check Completed during FY16 Internal Monitoring	Completed: Measure Implemented	
15. 58	We recommend the Wisconsin Economic Development Corporation's governing board comply with statutes by contractually requiring all recipients of grants and loans of at least \$100,000 to submit schedules of expenditures.	WEDC is collecting the required schedules of expenditures from award recipients even if the contract inadvertently referenced a verified statement.	Starting in May 2014, WEDC has required staff to revise template contracts from our awards management system in order to ensure consistency in all our contract templates. This allows for greater control of the templates and their access.	Follow-Up Check Completed during FY16 Internal Monitoring	Completed: Measure Implemented	
16. 58	We recommend the Wisconsin Economic Development Corporation's governing board ensure its staff comply with its policy by sending notices in a timely manner to all grant and loan recipients that do not submit contractually required schedules of expenditures on time.	Since transferring the duties within WEDC related to managing the schedules of expenditures, all award recipients requiring a notice of a due schedule of expenditure have received one. The number of award recipients owing WEDC a schedule of expenditures has been cut in half, from 80 to 42. On February 24, 2015, WEDC notified the Board of Directors of the delay in sending out reminder and past due notices to award recipients owing WEDC a schedule of expenditure and has implemented stricter controls, including a quarterly report to the Board on recipients with an overdue schedule of expenditure.	As of September 30, 2015, WEDC has collected 314 Schedules of Expenditure and Verified Statements. Currently there are 15 that are 90+ days past due, meaning we have collected 95.4% of the reports expected to date.  July 2016 Update: WEDC provides regular communication to the Board of Directors on its efforts to collect Schedules of Expenditures and Verified Statements.	Follow-Up Check Completed during FY16 Internal Monitoring	Completed: Measure Implemented	
17. 59	We recommend the Wisconsin Economic Development Corporation's governing board comply with statutes by annually verifying the performance information reported by a sample of grant and loan recipients.	WEDC complied with this requirement delineated in Wis. Stat. §238.03(2)(e), as LAB indicates in its report. This statute requires WEDC to verify a sample of the performance reports submitted to WEDC by award recipients, which staff did over the course of several months during calendar year 2014. The task is time consuming because it involves reviewing, among other things, invoices for multi-million dollar capital investment projects. The final memorandum summarizing the results of the verification was completed on January 12, 2015. Again, LAB points this out in its report.	In May 2015, WEDC staff commenced its annual verification process, and it will be completed prior to December 31, 2015.  For calendar year 2016, WEDC will engage an outside firm to conduct its independent verification.  July 2016 Update: The Fiscal Year 2015 annual verification of a sample of performance reports was completed by WEDC staff prior to December 31, 2015. For Fiscal Year 2016, WEDC has engaged an independent outside audit firm to conduct the annual verification and to expand the scope of work to include a source documentation audit review of the selected project companies. The Fiscal Year 2016 annual verification review is on track to be completed this fall, with the results to be presented to WEDC's Audit Committee of the Board.		In Progress	
18. 60	We recommend the Wisconsin Economic Development Corporation's governing board ensure its staff comply with its policy for site visits and review information needed to determine whether award recipients spent awarded funds in accordance with contractual provisions and achieved contractually specified outcomes.	WEDC's staff complied with the Awards Verification Policy's site visit requirement. The policy requires that "grants, loans and tax credits equal to or more than \$1,000,000 will receive a physical site visit by WEDC staff to view the capital investment and/or review the underlying financial records, e.g. invoices, payroll data, etc." It was not the intent of the policy to require inspection of financial records at every site visit but only when necessary. The language will be clarified to avoid any future confusion.	In January 2016, a procedure covering the site visit process became effective. WEDC staff are currently operating under this procedure. The purpose of WEDC site visits is to visit the physical location of a project that has received a significant investment from WEDC. Site visits are generally conducted by account managers, and include a meeting with the appropriate contacts, a discussion of the project, a tour of the site, and a discussion of potential future opportunities.	Follow-Up Check Completed during FY16 Internal Monitoring	Completed: Measure Implemented	
19. 63	We again recommend the Wisconsin Economic Development Corporation's governing board comply with statutes by ensuring that the annual economic development program report presents clear, accurate, and complete information on each program's results.	The Annual Report on Economic Development (ARED) showcases WEDC's and other state agencies' commitment to transparency. ARED's interactive map is a user friendly tool that allows for easy analysis of statewide, regional, and an individual award's economic impact. The databases contain all statutorily required information plus more. WEDC staff expend tremendous efforts year-round to administer the quality of the data in the report, how it is accessed, and the tools it provides for evaluating the State's economic development efforts. There are thousands of points of data in the report, and, as with any report, there will be isolated and unintentional mistakes. WEDC staff regularly monitor the data and fix any mistakes found. WEDC is committed to continuously improving the ARED and welcomes suggestions for improvement from stakeholders and, of course, its Board.	On September 24, 2015, the WEDC Board of Directors reviewed and voted to approve the Annual Report on Economic Development.	Follow-Up Check Completed during FY16 Internal Monitoring	Completed: Measure Implemented	
20. 66	We recommend the Legislature consider modifying Wis. Stat. 238.07(2) to require WEDC's governing board to include in its annual economic development program report the total number of jobs created and the total number of jobs retained as a result of all economic development awards made since July 1, 2011.	WEDC will comply with any changes made to the law. Of note, WEDC's online database already includes jobs created and jobs retained for all economic development awards made since July 1, 2011. Any member of the public can use the database to compile those total numbers.	On September 24, 2015, the WEDC Board of Directors reviewed and voted to approve the Annual Report on Economic Development.		Recommendation for Legislature	

FY14 LAB Audit 15-3 Recommendations and WEDC Response Updates

8/1/2016

Financial Management						
Page	Recommendation	Response	Action	FY16 Internal Monitoring	Status	
21.	69	We recommend the Wisconsin Economic Development Corporation's governing board review its fund balance policy so that the target for the unassigned fund balance is based on its administrative expenditures.	<p>As stated in the audit, WEDC's current fund balance policy aligns with the best practices suggested by the Government Finance Officers Association (GFOA). It also complies with Statement No. 54 of the Governmental Accounting Standards Board (GASB). Although the statement in the audit report, "Given these specific circumstances, WEDC's unassigned fund balance need cover only its administrative expenditures." is misguided, we acknowledge that accounting standards provide some flexibility in how to characterize fund balance.</p> <p>In response to the audit and to comply with the current language in the State's budget bill WEDC will propose changing its Fund Balance Policy. The change will adopt a fund balance concept limiting WEDC's unassigned fund balance on June 30th of each year to two twelfths of the estimated annual administrative expenditures for that year.</p>	<p>On July 20, 2015, the WEDC Board of Directors adopted a revised FIN 104 Fund Balance Policy, which requires WEDC's unassigned fund balance be limited to two-twelfths (i.e. one-sixth) of its estimated annual administrative expenditures as of June 30 of each year. Further, on July 20, the Board voted to approve a resolution to this effect.</p> <p>Pursuant to Wis. Stat. 238.03(4), the WEDC Board is required to, "establish policies and procedures for maintaining and expending any unassigned balance that satisfy all of the following requirements. 1) The policies and procedures shall be consistent with best practices recommended by the Government Finance Officers Association; and 2) The policies and procedures shall establish as a target that the corporation's unassigned balance on June 30 of each fiscal year be an amount equal to or less than one-sixth of the corporation's total administrative expenditures for that fiscal year."</p> <p>Immediately upon the statute's effective date of July 1, 2015, WEDC Finance staff implemented measures to comply with the updated unassigned fund balance requirement. Additionally, the 2015 Comprehensive Annual Financial Report was prepared in accordance with this new statute.</p>	<p>FY16 Internal Monitoring Follow-Up Check Completed during FY16 Internal Monitoring</p>	<p>Completed: Task Completed</p>
22.	76	We recommend the Wisconsin Economic Development Corporation periodically review credit card usage and close the accounts of unnecessary credit cards, including those that are seldom or never used; and ensure that appropriate credit limits are maintained on all of its credit cards; and maintain documentation of the approved credit limits on each of its credit cards, including changes to those limits.	<p>The credit card policy that was implemented in FY 2013/2014 was designed to balance operational efficiency and risk. The policy resulted in a reduction in the number of active credit cards and improved the internal monitoring of transactions. WEDC staff recently completed an internal review of the policy and a sample of FY 2014/2015 transactions. Staff issued their findings and recommendations which are consistent with the report. WEDC's internal policy committee will continue to consider improvements that enhance efficiency while striving to mitigate the inherent risk associated with credit card transactions.</p>	<p>As of December 1, 2015, WEDC has centralized its travel reservations, which is now handled by a third-party vendor. This has eliminated the need for some staff to have corporate credit cards.</p> <p>WEDC finance staff has implemented a requirement for a purchase order for most purchases, which helps migrate some purchases from individual corporate credit cards to a department shared corporate credit card. This has reduced the number of corporate credit cards held by WEDC staff.</p> <p>In January 2016, WEDC implemented an annual review process of corporate credit cards whereby all supervisors are required to verify which of their staff need corporate credit cards and what limits are required for each card.</p>	<p>Follow-Up Check Completed during FY16 Internal Monitoring</p>	<p>Completed: Measure Implemented</p>
Future Considerations						
Page	Recommendation	Response	Action	FY16 Internal Monitoring	Status	
23.	82	We recommend the Wisconsin Economic Development Corporation's governing board direct its staff to present for its review and approval policies that comply in all respects with statutory requirements; and ensure that its staff comply with all the policies it establishes.	<p>WEDC staff will comply with any directive of the Board for presenting such information.</p>	<p>On July 20, 2015, the WEDC Board of Directors voted to approve a revised version of the GOV ADM 126 Program Guideline Approval and Revision Policy. The policy was revised to clarify that WEDC complies with updated statutes on the date they become effective.</p>	<p>FY16 Internal Monitoring</p>	<p>Completed: Task Completed</p>
24.	84	We recommend the Legislature consider the Wisconsin Economic Development Corporation's unassigned fund balance when determining the amount to appropriate to either the Wisconsin Economic Development Authority or the Forward Wisconsin Development Authority for the 2015-17 biennium.	<p>WEDC welcomes the opportunity to discuss with the Legislature its fund balance policy and budget.</p>	<p>On July 20, 2015, the WEDC Board of Directors adopted a revised FIN 104 Fund Balance Policy, which requires WEDC's unassigned fund balance be limited to two-twelfths (i.e. one-sixth) of its estimated annual administrative expenditures as of June 30 of each year. Further, on July 20, the Board voted to approve a resolution to this effect.</p>	<p>Recommendation for Legislature</p>	
25.	85	The governing board of either the Wisconsin Economic Development Corporation or the Forward Wisconsin Development Authority report to the Joint Legislative Audit Committee by February 1, 2016, on its efforts to implement each of our recommendations.	<p>WEDC will provide a report on such efforts by February 1, 2016.</p>	<p>This report complies with the request for WEDC to provide to the Joint Legislative Audit Committee a report on its efforts to implement each of LAB's recommendations.</p>	<p>Completed: Task Completed</p>	