



Mark R. Hogan
Secretary and CEO

January 30, 2019

Senator Robert 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 (LAB) Report 18-18 recommended the Wisconsin Economic Development Corporation (WEDC) provide a status to the Joint Legislative Audit Committee by January 31, 2019, on WEDC's efforts to implement LAB's recommendations contained within the report.

Enacted in September 2017, Wisconsin Act 58 created the Electronics and Information Technology Manufacturing Zone ("EITMZ") which provided the statutory guidelines for WEDC's contract with Foxconn. Act 58 also required the LAB to annually evaluate, for five years, WEDC's process for verifying information submitted by Foxconn, including whether WEDC is adhering to statutory and contractual requirements when verifying tax credits. LAB's Report 18-18 was issued in December 2018 and it represents LAB's first review as required by Act 58.

LAB's Report 18-18 indicated WEDC's written procedures allowed WEDC to award program tax credits for "any employee that does not live in Wisconsin" as long as these employees are paid in the zone. LAB indicated these written procedures "do not comply with (the Act 58) statutes or WEDC's Foxconn contract because they allow WEDC to award program tax credits for the wages of employees who do not perform services in Wisconsin."

To address this issue, LAB recommended WEDC:

- (1) "modify its written procedures to require it to award tax credits under the EITMZ program only for the wages of employees who perform services in Wisconsin";
- (2) "provide these modified procedures to its governing board"; and
- (3) "report to the Joint Legislative Audit Committee by January 31, 2019, on the status of its efforts to implement these recommendations."

WEDC has modified its written procedures to align with LAB's recommendations and these recommended changes were reviewed and accepted by WEDC's Board of Directors at its January 29, 2019 meeting.

We appreciate the opportunity to respond to LAB's Report 18-18. Continuous improvement efforts are incorporated into all areas of WEDC's operations and LAB's recommendations, along with WEDC's responses, are an important part of these efforts.

If you have any questions or would like any additional information, please contact me directly.

Sincerely,

