



BRIEFING SHEET

State Auditor

[Report 15-3](#)[Joe Chrisman](#)

May 2015

Wisconsin Economic Development Corporation

Background

The Wisconsin Economic Development Corporation (WEDC) is the State's lead economic development organization. WEDC became fully operational in July 2011. Although WEDC is not a state agency, it is funded almost entirely with state funds. In fiscal year (FY) 2013-14, WEDC administered 29 economic development programs that provided grants, loans, tax credits, and other assistance to businesses, individuals, and organizations. Statutes require the Legislative Audit Bureau to conduct biennially a financial audit of WEDC and a program evaluation audit of WEDC's economic development programs.

Key Findings

We reviewed information for more than 100 awards made by WEDC. We also analyzed WEDC's financial management in FY 2013-14. We found:

- WEDC's contracts for grants and loans did not contain all statutorily required provisions and did not consistently comply with WEDC's policies. Grant and loan recipients that were contractually required to create or retain jobs were not contractually required by WEDC to submit information, such as payroll records, showing that the jobs were actually created or retained.
- In 2014, the potentially uncollectible balance of loans with repayments 90 days or more past due decreased by \$4.2 million largely because WEDC amended loan contracts to defer loan repayments, wrote off loans, and forgave loans.
- WEDC did not establish all statutorily required policies for its tax credit programs, did not consistently evaluate whether businesses met all eligibility requirements in its tax credit policies, and allocated tax credits in ways that did not consistently comply with statutes and its policies.
- WEDC's October 2014 economic development program report addressed certain concerns we had noted in report 13-7. However, it did not contain clear, accurate, and complete information on program outcomes, including the numbers of jobs created and retained as a result of awards it made. In addition, WEDC's data likely did not fully reflect the numbers of jobs created and retained through FY 2013-14, and award recipients had additional time to create and retain the expected jobs.
- Although WEDC improved its financial management practices in FY 2013-14, its policy for managing its fund balance allowed it to maintain an unassigned fund balance of \$15.6 million as of June 30, 2014, which was larger than necessary.
- Staff did not consistently comply with policies established by the governing board, and the policies did not consistently comply with statutory requirements.

Key Recommendations

We include recommendations for WEDC to improve its administration of grant, loan, and tax credit programs, and for its governing board to improve its program oversight and financial management. We also include recommendations to the Legislature and identify issues for legislative consideration.

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