



AUDIT SUMMARY

Department of Economic and
Community Development

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Fiscal Years Ended June 30, 2020, 2021 and 2022

ABOUT THE AGENCY



The Department of Economic and Community Development (DECD) administers programs and policies to promote business, community development, brownfield redevelopment, arts, culture and tourism, and is the state agency responsible for promoting economic growth. The department's mission is to develop and implement strategies to increase the state's economic competitiveness.

ABOUT THE AUDIT

We have audited certain operations of DECD in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2020, 2021, and 2022. The objectives of our audit were to evaluate the:

1. Department's internal controls over significant management and financial functions;
2. Department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[Link to full report](#)

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Findings

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Repeat Findings

Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, or policies; and a need for improvement in practices and procedures that warrant management's attention.

NOTEWORTHY FINDINGS



Findings



Recommendations

1

DECD issued a digital animation company an additional \$50,103,700 of film production tax credits even though Section 12-217ll of the General Statutes prohibits digital animation companies to also receive the film production tax credit.

DECD should seek legislative clarification regarding Sections 12-217j and 12-217ll of the General Statutes to specify whether a digital animation production company receiving a digital animation production tax credit can also be eligible to receive a film production tax credit.

2

We reviewed four Urban and Industrial Site Reinvestment tax credits totaling \$37,400,000 and noted that DECD did not include a provision requiring the companies to repay the credits when they relocated out of state and did not adequately track whether companies that received financial assistance remained in the state during the relocation period.

DECD should ensure that its contracts require companies to repay all forms of financial assistance if they relocate out of state within the relocation period, and should implement adequate procedures to determine whether companies have relocated out of state.

3

We reviewed 19 projects for which DECD provided \$34,151,592 in financial assistance and noted that DECD did not perform a financial review for five projects totaling \$19,139,324 and did not provide documentation that the department addressed all concerns and findings identified in five financial reviews for projects totaling \$8,390,603.

DECD should conduct financial reviews for all of its funding in the Small Business Express, Brownfield, and Manufacturing Assistance Act programs. In addition, the department should clearly document that it sufficiently resolved any financial review concerns.

4

DECD has not implemented adequate procedures to monitor the lending partners responsible for administering, servicing, and monitoring financial assistance provided under the Small Business Express program and Small Business Assistance Account. DECD did not conduct onsite reviews of lending partners during the audited period.

DECD should implement procedures to monitor the activities of its lending partners that administer, service, and oversee financial assistance provided under the Small Business Assistance Account and Small Business Express program.

5

We reviewed 27 personnel actions and noted that DECD and the Department of Administrative Services (DAS) did not provide adequate documentation to support 16 personnel actions – six new hires, one rehire, two transfers, six promotions, and one temporary worker rehire.

DECD and DAS should strengthen their internal controls over personnel actions.