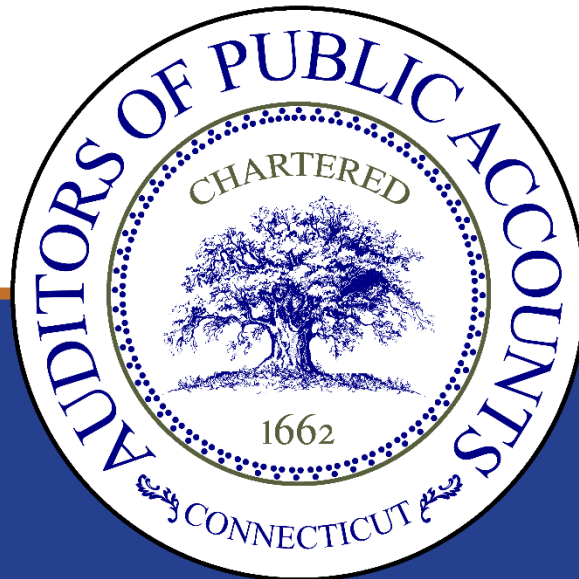


# AUDITORS' REPORT

---

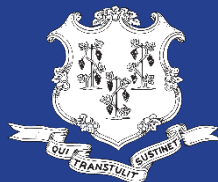
## **Department of Economic and Community Development Annual Report**

FISCAL YEAR ENDED JUNE 30, 2024



**STATE OF CONNECTICUT**  
Auditors of Public Accounts

**JOHN C. GERAGOSIAN**  
State Auditor



**CRAIG A. MINER**  
State Auditor

# CONTENTS

---

INTRODUCTION.....	3
STATE AUDITORS' FINDINGS AND RECOMMENDATIONS.....	4
Inadequate Internal Controls Over Reporting .....	4
STATUS OF PRIOR AUDIT RECOMMENDATIONS .....	7
OBJECTIVES, SCOPE, AND METHODOLOGY .....	8

# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL  
210 CAPITOL AVENUE  
HARTFORD, CONNECTICUT 06106-1559

CRAIG A. MINER

June 17, 2025

### INTRODUCTION

We are pleased to submit this audit of the Department of Economic and Community Development [annual report](#) for the fiscal year ended June 30, 2024 in accordance with the provisions of Section 2-90c of the Connecticut General Statutes. Our audit identified one finding involving an internal control deficiency and an instance of noncompliance with laws, regulations, or policies.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Economic and Community Development during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Hunain Bukhari  
Natercia Freitas  
Alexandra Skabardonis

A handwritten signature in black ink, appearing to read "Hunain Bukhari".

Hunain Bukhari  
Associate Auditor

Approved:

A handwritten signature in black ink, appearing to read "John C. Geragosian".

John C. Geragosian  
State Auditor

A handwritten signature in black ink, appearing to read "Craig A. Miner".

Craig A Miner  
State Auditor

# STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the Department of Economic and Community Development annual report disclosed the following recommendation, which was not repeated from the previous audit.

## **Finding 1**

### **Inadequate Internal Controls Over Reporting**

#### **Criteria**

Section 32-1m(a)(2) of the General Statutes provides that DECD's annual report should include an analysis of the department's economic development portfolio, including, but not limited to, each business assistance or incentive program, and any business tax credit or abatement program, grant, loan, forgivable loan, or other form of assistance, enacted for the purpose of improving economic development. The analysis must include:

- The total portfolio value, total investment by industry, portfolio dollar per job average, and portfolio leverage ratio.
- The number of new jobs created, the borrowing cost to the state, and the estimated impact of such a program on annual state revenues.
- A recommendation as to whether any existing business assistance or incentive program should be continued, modified, or repealed and the basis or bases for such recommendations, and any recommendations for additional data collection by the state to better inform future evaluations of such programs.

Adequate internal controls include proper supervisory review of the annual report.

#### **Condition**

Our evaluation of the 2024 DECD annual report disclosed the following:

- DECD did not include a basis for its recommendation to continue the Film Production Infrastructure Tax Credit.
- DECD understated Tech Talent Fund activity by \$1,000,000.
- DECD understated the fiscal year 2024 Brownfield investment by \$1,000,000 and the non-DECD funds

leveraged by \$50,245,511. As a result, DECD understated the fiscal year 2024 leverage ratio by 0.66.

- DECD understated the overall Brownfield investment portfolio by \$1,030,595 and the non-DECD funds leveraged by \$50,245,511. As a result, DECD understated the portfolio leverage ratio by 0.13.
- The DECD annual report referenced the Manufacturing Innovation Fund annual report. Our review of the fiscal year 2024 Manufacturing Innovation Fund annual report disclosed the following:
  - DECD understated the matching grants for the Manufacturing Voucher Program by \$200,000.
  - DECD overstated the number of companies engaged in the Manufacturing Innovation Fund by 39.
  - DECD overstated total students engaged in Manufacturing Innovation Fund programs by 2,799.
  - DECD did not maintain supporting documentation for the number of company engagements and the number of jobs created and maintained for one of the two program administrators we judgmentally selected to review.

## **Context**

DECD reported the following:

- \$24,472,971 Film Production Infrastructure Tax Credits issued from fiscal years 2020 to 2023.
- \$10,878,601 in Tech Talent Fund activity as of June 30, 2024.
- \$51,752,412 in fiscal year 2024 DECD Brownfield investments, \$807,662,403 in non-DECD funds leveraged, and a leverage ratio of 15.61.
- \$280,048,774 in DECD investments, \$3,640,687,383 in non-DECD funds leveraged, and a leverage ratio of 13.00 for the Brownfield portfolio.
- \$38.6 million in matching grants from the Manufacturing Voucher Program, 4,116 company engagements, 23,096 manufacturing jobs created or maintained, and 32,716 Connecticut students engaged in Manufacturing Innovation Fund programs.

<b>Effect</b>	The lack of accurate information inhibits the General Assembly's ability to make informed decisions about business assistance and incentive programs.
<b>Cause</b>	The condition resulted from a lack of a proper supervisory review.
<b>Prior Audit Finding</b>	This finding has not been previously reported.
<b>Recommendation</b>	The Department of Economic and Community Development should strengthen internal controls over the preparation of its annual report to ensure amounts are accurate. The department's annual report should include all elements required in Section 32-1m(a) of the General Statutes.
<b>Agency Response</b>	"DECD agrees its internal controls did not identify the conditions noted above. DECD will evaluate its existing review process and make refinements where necessary. DECD would like to thank the audit team for bringing these conditions to its attention."

# STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Department of Economic and Community Development 2023 annual report contained no recommendations.

# OBJECTIVES, SCOPE, AND METHODOLOGY

Section 32-1m of the General Statutes provides that, no later than February 1<sup>st</sup> annually, the Commissioner of Economic and Community Development shall submit a report that includes information regarding the activities of the Department of Economic and Community Development (DECD) and business assistance or incentive programs administered by Connecticut Innovations, Incorporated during the preceding state fiscal year.

We have audited the Department of Economic and Community Development 2024 annual report in fulfillment of our duties under Section 2-90c of the Connecticut General Statutes. The scope of our audit included, but was not limited to, the fiscal year ended June 30, 2024.

Section 2-90c of the General Statutes, provides that, as part of each audit the Auditors of Public Accounts performs of DECD, the auditors shall evaluate the annual reports submitted since the last audit and the analyses required under subdivision (2) of subsection (a) of Section 32-1m of the General Statutes. Subdivision (2) pertains to analyses of the economic development portfolio of DECD that are included in the annual report. The auditor's evaluation shall include.

1. A determination of whether evidence is available to support the accuracy of the data presented in such annual report;
2. An evaluation of management practices and operations regarding the ease or difficulty for taxpayers to comply with the requirements of the incentive programs;
3. Recommendations for improving the administrative efficiency or effectiveness of the incentive programs; and
4. An evaluation of whether such annual reports satisfy the reporting requirements under subsection (a) of Section 32-1m.

This evaluation focused on items 1 and 4. We evaluated the remaining requirements in a separate [performance audit](#), Administration of the Department of Economic and Community Development's Media Tax Credits, which our office released on January 10, 2024.

The objectives of our audit were to:

1. Evaluate whether DECD has sufficient controls to ensure that it properly prepares its annual report and whether evidence is available to support the accuracy of the data presented in the annual report; and
2. Evaluate whether the annual report satisfies the reporting requirements under subsection (a) of Section 32-1m of the General Statutes.

Our methodology included reviewing contracts, financial records, data sets, and other pertinent documents. We interviewed various personnel of the department and tested selected transactions. This testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation.



We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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.

For the areas audited, we identified:

1. Deficiencies in internal controls; and
2. Apparent noncompliance with laws, regulations, or policies.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Department of Economic and Community Development 2024 annual report.