



AUDIT SUMMARY

Administration of the Department of Economic and Community Development's Media Tax Credits

Performance Audit

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Fiscal Years Ended June 30, 2019, 2020, 2021, and 2022

BACKGROUND

The Department of Economic and Community Development (DECD) administers three tax credits designed to incentivize private spending in film, digital media, and related infrastructure projects. They are the Film, Television, and Digital Media Tax Credit, the Digital Animation Production Company Tax Credit, and the Film Infrastructure Tax Credit.

ABOUT THE AUDIT

Section 2-90c of the General Statutes provides in part that the Auditors of Public Accounts conduct a performance audit of DECD's incentive programs as part of each DECD audit or as a stand-alone audit. We have conducted a performance audit of three media-related tax credits administered by DECD. For the purposes of this audit, we will refer to these three credits as media credits. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2019, 2020, 2021, and 2022.

The objectives of our audit were to:

1. Evaluate the efficiency and effectiveness of DECD's administration of its film and media credit programs, including a review of eligibility and voucher applications, and credit transfer processes;
2. Determine whether DECD has sufficient controls to ensure that it appropriately and consistently follows the application, credit certification, and credit transfer processes; and
3. Examine whether the department's administration of the tax credits complies with statutes and regulations.

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

[Link to full report](#)

13 Total 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 30 credit vouchers totaling \$138,857,361 to applicants who had not submitted their voucher application within 90 days of the final qualifying production cost.

DECD should hold applicants to the statutorily required deadline or seek legislation to allow applicants more time to submit their voucher application.

2

Contrary to statute, DECD issued 29 credit vouchers totaling \$186,279,335 based on audit reports that used the audit cost to establish the 90-day application window.

DECD should comply with Section 12-217jj(a)(5)(C) of the General Statutes and not allow audit costs to be considered a production expense for establishing the 90-day application window.

3

The Office of Film, Television, and Digital Media tax credit administrator performed multiple functions that could allow for errors and omissions which would not be detected.

DECD should segregate key aspects of media credit administration. If such segregation is not possible, the department should develop a formalized management review process using reliable records and information.

4

Contrary to statute, DECD used voucher application and eligibility fees to cover a variety of OFTDM expenses rather than exclusively to cover the cost of reviewing applications.

DECD should expend all application fee revenue to review associated applications or seek legislation to allow fees to be used for general Office of Film, Television, and Digital Media operational costs.

5

Many of the applications for which credits were issued did not contain all the necessary documents or information required by statute or regulation.

DECD should establish sufficient controls to ensure it collects all required information and documentation during the media credit application process. Additionally, the department should revise its forms to provide fields for all required information.

If certain documentation or information is no longer relevant to the application review process, or to satisfying statutory requirements, DECD should amend the regulations to eliminate the requirements.