

STATE OF CONNECTICUT



FY 22 PERFORMANCE AUDIT COMPLIANCE REPORT

**Part 2 of Auditors' Evaluation of the Revised Department of
Economic and Community Development 2017 Annual Report
(Follow-up Report)**

AUDITORS OF PUBLIC ACCOUNTS

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Introduction

Background

Our office published [Part 2 of the Auditors' Evaluation of the Revised Department of Economic and Community Development 2017 Annual Report](#) on May 21, 2019. On November 1, 2021, we requested an update from the Department of Economic and Community Development on how it addressed the report's 32 recommendations.

The report's recommendations focused on clarifying reporting requirements for the Small Business Express Program (EXP) and Manufacturing Assistance Act (MAA), documenting decisions in meeting minutes, tracking, and reporting application-to-decision timeframes, and improving administrative efficiency and effectiveness for the Urban and Industrial Sites Reinvestment Tax Credit (URA) and EXP.

Highlighted Agency Accomplishments

Since the release of the audit, DECD informed us that the Small Business Express Program is inactive. In the near future, the department will no longer directly administer the Small Business Express Program. The program will be administered by one or more contracted vendors working as a DECD lending partner. Nonetheless, DECD appears to have partially or fully implemented 50% of our audit recommendations.¹ This information is based only upon the department's responses to our update request and may be verified during our next DECD audit.

¹ Two of our original recommendations are no longer applicable because of the elimination of the Letter of Intent Committee.



PERFORMANCE AUDIT
HIGHLIGHTS

*Part 2 of Auditors' Evaluation of the Revised Department of
Economic and Community Development 2017 Annual Report
(From Report Issued May 21, 2019)*

Audit Objectives and Overview

Section 2-90c of the General Statutes requires the Auditors of Public Accounts to evaluate Department of Economic and Community Development (DECD) annual reports. In April and September 2018, our office released two reports assessing the accuracy of the annual report data and whether it satisfied the reporting requirements in section 32-1m(a) of the General Statutes. Using surveys, this report evaluates management practices and operations regarding the ease or difficulty for taxpayers to comply with incentive program requirements. It also makes recommendations to improve the administrative efficiency or effectiveness of the incentive programs by in-depth analyses of the Urban and Industrial Sites Reinvestment Tax Credit (URA) and the Small Business Express Program (EXP).

Key Findings

1. Although mostly favorable responses to survey questions were received, relatively lower survey ratings from the Small Business Express (EXP) and Manufacturing Assistance Act program (MAA) recipients on clarity of reporting requirements could create challenges for recipients.
2. DECD does not measure or document the length of time and reasons for applications to be approved or denied, making it difficult to determine if administrative efficiency and effectiveness objectives are being met.
3. We found areas of administrative inefficiencies or ineffectiveness for the Urban and Industrial Sites Reinvestment Tax Credit (URA) program including DECD:
 - not reporting URA program premature leavers and revocations/penalties, and
 - issuing tax credits early, late, and/or multiple times in a single year.
4. We found areas of administrative inefficiencies or ineffectiveness for EXP including DECD:
 - does not perform certain personal financial checks which would better assess an applicant's loan risk,
 - has little recourse if EXP recipients do not submit paperwork showing funds were spent according to an approved budget if the owner is not delinquent in their loan payments, and
 - checks the CTDOL employment database when businesses do not submit required paperwork, making it unfair for those who do comply.

Key Recommendations

1. To make it easier for businesses to comply with incentive program requirements, DECD should clarify reporting requirements for EXP and MAA, including notifications.
2. DECD should document decisions in meeting minutes, and track application to decision timeframes, including timeliness statistics in its annual report.
3. To improve administrative efficiency or effectiveness for URA:
 - DECD's annual report should include information on premature leavers of the URA program and statistics on revocations/other imposed penalties, and
 - DECD should develop a system to promote more timely submission of required information by the businesses.
4. To improve administrative efficiency or effectiveness for EXP, DECD should:
 - better assess loan risk through additional financial checks,
 - automatically increase the interest rate of a loan if budget paperwork is not submitted, and
 - eliminate requirement that business owners submit Job Audit paperwork and have DECD access CTDOL employment database.

Agency Updates

Recommendation 1: The Department of Economic and Community Development should consider and adopt suggestions made by program recipients to improve administrative efficiency and inform other businesses about the Small Business Express and Manufacturing Innovation Fund’s Manufacturing Voucher programs.

Status: Not Implemented - Exhibit 1 contains the specific suggestions that were part of this recommendation in the original audit report. DECD stated that its chief manufacturing officer (CMO) informed the manufacturing industry of the Manufacturing Innovation Fund’s Manufacturing Voucher programs. DECD did not indicate how the CMO is communicating this information.

The Small Business Express Program is no longer active and will be administered by one or more contracted vendors acting as a DECD lending partner.

Exhibit 1. Recipients’ Most Frequently Suggested Ways to Better Publicize the EXP and MIF-MVP Programs	
Small Business Express (administered by DECD)	<ul style="list-style-type: none"> • Email/mail blasts to Connecticut small businesses • Contact accounting firms, organizations • Use Facebook/social media • Publicize success stories • Chamber of commerce events/meetings • Publicize in business journals
Manufacturer Innovation Fund- Manufacturing Voucher Program (administered by CT Center for Advanced Technology)	<ul style="list-style-type: none"> • Connecticut Business and Industry Association (CBIA) • Post cards/direct mail • Manufacturing associations/industry groups • Email blasts

DECD Update: “Working within the Agency’s Chief Manufacturing Officer position, the manufacturing sector is being made aware of State programs and benefits of the various programs by highlighting not only DECD programs but more specifically MIF programs. The Small Business Express Program 1.0 is currently inactive. Moving forward the Small Business Express Program will no longer be directly administered by DECD and will be administered by contracted vendor(s) working as a lending partner(s) to DECD. The Agency is seeking proposals from organizations to design, implement and administer Small Business Lending Programs and Technical Assistance.”

Recommendation 2: The Department of Economic and Community Development should continue to develop ways to reduce the time needed to process applications to improve administrative efficiency and address the lower ratings businesses gave in regard to the time required to complete the application.

Status: Partially Implemented – DECD states it is seeking technology upgrades to make the application process accessible online but has not improved efficiency.

DECD Update: “The Agency is pursuing various technology upgrades to its application in-take functionality to bring the process online and utilize automation to improve efficiency.”

Recommendation 3: The Department of Economic and Community Development should clarify the Small Business Express Program financial requirements and accompanying instructions to improve administrative efficiency and speed up the application process

Status: Not Implemented - DECD notified us that the Small Business Express Program as originally designed is inactive, and the program will be administrated by one or more contracted vendors acting as a DECD lending partner. Specific program guidelines and instructions are not yet available and will be developed by the contracted vendor.

DECD Update: “The Small Business Express Program 1.0 is inactive. Moving forward the Small Business Express Program will no longer be directly administered by DECD and will be administered by contracted vendor(s) working as a lending partner(s) to DECD.

State economic development dollars will fund programs designed to accelerate the creation of new small businesses and aid the recovery and growth of existing small businesses during the next five years. The Agency is seeking proposals from organizations to design, implement and administer programs that will accomplish these objectives.

Program guidelines are at the discretion of individual proposers, however, proposals should include programs that maximize private sector capital relative to state funding; provide technical assistance, provide financial assistance, with at least 50% of the funding directed to minority-, woman-, disabled- and veteran-owned businesses, and businesses located in distressed municipalities; provide support for startup businesses; and include the goal of becoming self-sustaining by July 1, 2026.”

Recommendation 4: The Department of Economic and Community Development should review the current reporting requirements for the Small Business Express and the Manufacturing Assistance Act programs to improve administrative efficiency and effectiveness and promote greater ease for recipients to meet program reporting requirements. The department should develop techniques to clarify the reporting requirements and how it informs recipients about the requirements.

Status: Not Implemented - The Small Business Express Program is currently inactive. Although the department is pursuing policies to improve the efficiency and effectiveness of the Manufacturing Assistance Act programs, it has not implemented the recommendation.

DECD Update: “The Small Business Express Program 1.0 is inactive. Moving forward the Small Business Express Program will no longer be directly administered by DECD and will be administered by contracted vendor(s) working as a lending partner(s) to DECD. The Department is also pursuing policies that will improve administrative efficiency and effectiveness of the Manufacturing Assistance Act (MAA) program that should result in improved efficiencies for its customers.”

Recommendation 5: The Department of Economic and Community Development should notify the Connecticut Department of Revenue Services of the elimination of the Urban and Industrial Site Reinvestment Tax Credit pre-application process to reduce potential confusion and improve administrative efficiency. DECD should notify the Department of Revenue Services to amend its website accordingly.

Status: Fully Implemented - DECD stated that it requested removal of the Urban and Industrial Site Reinvestment Tax Credit pre-application process information from the Department of Revenue Services' (DRS) website. We checked the DRS website, and it indicates that the tax credit information is "outdated and for archival purposes."

DECD Update: "The Agency has notified DRS and requested the necessary update to the Department of Revenue Services website."

Recommendation 6: The Department of Economic and Community Development should revise its Application for Business Assistance instructions to match the application form to improve the administrative efficiency of the application process.

Status: Not Implemented - DECD did not revise and update the Application for Business Assistance instructions. The agency reports it is working on the revision.

DECD Update: "The Agency agrees with this recommendation and is currently working on revising its Application for Business assistance instructions."

Recommendation 7: The Department of Economic and Community Development Letter of Intent Committee should document the rationale for its decisions to improve administrative efficiency and effectiveness. The committee should prepare and keep minutes of its meetings in case questions arise in the future.

Status: Not Applicable -The Letter of Intent Committee is no longer operating.

DECD Update: “The Letter of Intent Committee is no longer utilized.”

Recommendation 8: The Department of Economic and Community Development should track the duration of the Urban and Industrial Site Reinvestment Tax Credit application process to determine whether it is in compliance with the 90-day statutory approval requirement and to improve the program’s administrative efficiency. DECD should include this information in its annual report.

Status: Not Implemented - DECD reports that it does not currently track the 90-day statutory approval requirement but intends to in the future.

DECD Update: “The Agency agrees with this recommendation and will track the 90-day statutory approval requirement in its CRM database. The Agency is committed to the inclusion of this information in its annual report.”

Recommendation 9: The General Statutes should be amended to require the Department of Economic and Community Development Commissioner to issue a decision on a complete application not later than 90 days from its receipt.

Status: Not Implemented - The General Statutes were not updated to reflect the recommendation. In the original audit report, we found that the DECD commissioner did not issue an approval decision within 90 days of application receipt in 78% of cases. DECD told us that the reason it did not meet the 90-day threshold because business applications are often incomplete and require additional information. We believe that DECD should begin the 90-day timeline when the application is complete or in good order. DECD does not believe updated statutory language is required to implement the statute in that way. While DECD may interpret receipt of an application to be received in good order, we are not sure it is consistent with statutory

requirements. Therefore, the statute should be amended to clarify this issue. We believe the statutory language should be changed to clarify that DECD must render a decision on a *complete* application not later than 90 days from its receipt.

DECD Update:

“Section 32-9t(g)(1) of the Connecticut General Statutes currently states that; “The commissioner shall render a decision on an application not later than ninety days from its receipt...” The Agency has updated its CRM database to provide reasonable assurance for compliance with the 90-day approval requirement. Accordingly, a statutory change to Section 32-9t(g)(1) would be redundant.”

Recommendation 10: The Department of Economic and Community Development should document the rejection of business assistance applications and reasons for the rejection to improve administrative effectiveness.

Status: Not Implemented - DECD does not document the rejection of business applications and reasons for the rejection.

DECD Update:

“The Agency is considering this recommendation of formally documenting the reason(s) for rejection of business assistance applications.”

Recommendation 11: The Department of Economic and Community Development should improve administrative efficiency by requiring proof that all outside legal bills are paid prior to disbursing any financial assistance. The department should track the payment of legal bills.

Status: Fully Implemented - DECD requires outside legal bills to be paid prior to finalizing assistance agreements and has a process to track unpaid legal bills.

DECD Update:

“The Agency requires legal bills to be paid prior to finalizing assistance agreements. For agreements that are not finalized, the Agency has a process to address and track unpaid legal bills which may include referral to the Attorney General’s office if appropriate.”

Recommendation 12: The Department of Economic and Community Development Commissioner shall issue an Urban and Industrial Site Reinvestment Tax Allocation Summary Letter certifying that the applicant has met the initial tax credit program requirements in accordance with the General Statutes.

Status: Fully Implemented – DECD issues an Urban and Industrial Site Reinvestment Tax Allocation Summary Letter that serves as a certification of eligibility for the initial tax credit program.

DECD Update: “The Agency agrees with this recommendation and has amended the Summary Allocation Letter to also serve as a Certificate of Eligibility.”

Recommendation 13: The Department of Economic and Community Development could improve administrative effectiveness by including information in its annual report on companies that leave the Urban and Industrial Site Reinvestment Tax Credit Program prior to completing the 10-year program.

Status: Fully Implemented – The DECD annual report includes information on companies that leave the Urban and Industrial Site Reinvestment Tax Credit Program before ten years.

DECD Update: “DECD now includes companies in its annual report that leaves the Urban and Industrial Site Re-Investment Tax Credit Program prior to completing the 10-year program.”

Recommendation 14: The Department of Economic and Community Development’s annual report should provide up-to-date information on the total amount of funds committed for past and current Urban and Industrial Site Reinvestment Tax Credit projects, and the amount available for new projects.

Status: Partially Implemented - In the original audit, we found that the DECD annual report overestimated the amount of funds committed to past and current Urban and Industrial Site Reinvestment Tax Credit projects and underestimated the amount available for new Urban and Industrial Sites Reinvestment Tax Credit projects. DECD stated that its annual report now includes up-to-date information on the amount committed to the Urban and Industrial Site Reinvestment Tax Credit. We inquired if the department includes the amount available for new projects but did not receive a response.

DECD Update

“DECD does include up to date information on the total amount of the funds committed for the program in its annual report.”

Recommendation 15: The Department of Economic and Community Development could improve its administrative efficiency by amending its annual job survey to confirm or update email information of company contacts related to the business assistance program.

Status: Fully Implemented – DECD states that it appropriately updates email information of company contacts.

DECD Update:

“DECD continually updates its email address including making a call to any company in which the email was returned as undeliverable.”

Recommendation 16: Section 32-9t(i)(1) of the General Statutes should be amended to clarify what constitutes the first year of the ten-year cycle and when a business is eligible to receive its first Urban and Industrial Site Reinvestment Tax Credit.

Status: Partially Implemented – In the original audit report, we found that DECD issued Urban and Industrial Site Reinvestment tax credits to businesses prior to the statutorily-required fourth year of the project.

We believe the error may have been caused by the current statutory language, which may be open to interpretation. For example, it refers to the 10% annual distribution of the Urban and Industrial Site Reinvestment (URA) tax credit as, "...the third full income year succeeding the year in which the investment in the eligible project was made and the three next succeeding income years..." We believe DECD's current letter of intent template for URA and Manufacturing Assistance Act (MAA) projects is less open to interpretation: "The credits can be used over ten years according to the following schedule: years one through three-0%; years four through seven-10%; years eight through ten-20%" and should be adopted in Section 32-9t(i)(1) on the General Statutes. The first year must be defined as referring to the first year of the project qualifying for the URA tax credit rather than the year in which the contract has been executed."

DECD stated that it revised the tax certificates and URA Summary Allocation letter to identify the actual dates associated with the income tax year of eligibility and which income tax year the certificate can be used. However, since Section 32-9t(i)(1) of the General Statutes has not been amended, the dates may be subject to DECD's interpretation and may not be accurate.

DECD Update:

"The Agency has revised the Tax Certificates and URA Summary Allocation letter to spell out the actual dates associated with the Income Tax Year of eligibility as well as in which Income Tax Year the certificate can be used. Therefore, an amendment to Section 32-t (i) (1) is not necessary."

Recommendation 17: The Department of Economic and Community Development could improve administrative efficiency by developing a reminder system to promote more timely submission of required information by businesses in the Urban and Industrial Site Reinvestment Tax Credit Program.

Status: Not Implemented - DECD has not developed a reminder system to promote more timely submission of required information by businesses in the Urban and Industrial Site Reinvestment Tax Credit

Program. A reminder system could not only help the businesses, but also allow DECD to more efficiently and effectively track this information.

DECD Update: “The reporting requirement is the responsibility of the companies. The companies are aware of the requirements and that failure to report could lead to their tax credits being revoked. However, DECD will attempt to remind companies of the requirement to submit the required information for companies in the Urban and Industrial Site Reinvestment Tax Credit Program.”

Recommendation 18: The Department of Economic and Community Development should require the Urban and Industrial Site Reinvestment Tax Credit certificate of continued eligibility to include information on the earliest tax year in which the certificate is redeemable to improve administrative efficiency.

Status: Fully Implemented - DECD requires the Urban and Industrial Site Reinvestment Tax Credit certificate of continued eligibility to include information on the earliest tax year in which the certificate is redeemable.

DECD Update: “The Agency has incorporated this practice.”

Recommendation 19: The Department of Economic and Community Development should require businesses receiving Urban and Industrial Site Reinvestment tax credits to confirm the use, sale, transfer, or carryforward of the tax credit for the preceding calendar year in writing. This would enable DECD to maintain more accurate records and improve administrative efficiency.

Status: Not Implemented - DECD reports that companies that assign their tax credits to other entities must notify DECD and the agency maintains a record of notifications. In the original audit report, DECD assumed that the absence of notification by the business indicated that

the URA tax credits have not been sold. However, it is possible that the business failed to notify DECD. The current notification requirement

does not confirm the use or carryforward of the tax credit. DECD should require the businesses to provide written confirmation on the status (use, sale, transfer, carryforward) of the tax credit for the preceding calendar to avoid inaccurate assumptions. By not maintaining accurate information about the tax credit status, DECD is not holding businesses accountable for adhering to their tax credit agreement.

DECD Update: “Based on the State Statute and the Summary Allocation letter issued by DECD, companies that assign their tax credits to other entities must notify DECD. The Agency does maintain a record of the notifications.”

Recommendation 20: The Department of Economic and Community Development should include statistics on the revocation and other penalties imposed on Urban and Industrial Site Reinvestment tax credit recipients in its annual report.

Status: Not Implemented – The DECD annual report does not contain this information. DECD states that it will “endeavor to provide” statistics in its annual report about companies leaving the Urban and Industrial Site Reinvestment tax credit program due to revocation or penalty. The department did not confirm that its annual report would include statistical information on the revocation and other penalties imposed on Urban and Industrial Site Reinvestment tax credit recipients.

DECD Update: “If a revocation or a penalty result in a company leaving the program before the ten years, DECD will report it as such in its annual report and DECD will endeavor to provide statistical information on the revocation and other penalties imposed on Urban and Industrial Site Reinvestment tax credit recipients in its annual report. However, DECD will not provide the specific names of the companies in the annual report.”

Recommendation 21: The Department of Economic and Community Development should require businesses to include their trade name along with their legal name in its financial assistance application. The trade name should be included in any EXP data DECD posts on the Connecticut Open Data website.

Status: Partially Implemented - The Small Business Express Program (EXP) will no longer be directly administered by DECD and will be administered by one or more contracted vendors working as a DECD lending partner. However, the department will require lending partners to include their trade and legal name on their applications with the contracted vendors for EXP and Manufacturing Assistance Act (MAA) applications.

DECD Update: “The Small Business Express Program 1.0 is inactive. Moving forward the Small Business Express Program will no longer be directly administered by DECD and will be administered by contracted vendor(s) working as a lending partner(s) to DECD. However, DECD will require that the lending partners include their trade name along with their legal name on their applications with the contracted vendors, this will also be the same for the MAA applications.”

Recommendation 22: The Department of Economic and Community Development should include the time it takes for the department to approve or deny applications in its annual report. In addition, DECD should also report the time it takes for an approved applicant to receive the funds.

Status: Not Implemented - While DECD can track how long it takes to approve or deny applications and the time for an approved applicant to receive the funds; it does not include this information in its annual report.

DECD Update: “The agency through its CRM database can track the time it takes for the department to approve or deny applications and the time it takes for an approved applicant to receive the funds. The Agency is considering including this information in the annual report.”

Recommendation 23: The Department of Economic and Community Development should establish criteria that would require a project manager to conduct a site visit prior to the department deciding on an application for the Small Business Express Program.

Status: Not Implemented - DECD has not established criteria that would require a project manager to conduct a site visit prior to deciding on an application for the revised Small Business Express Program. The Small Business Express Program will no longer be directly administered by DECD and will be administered by one or more contracted vendors working as a DECD lending partner. We are unaware if the contracted vendor will establish criteria to require project managers to conduct site visits prior to deciding on Small Business Express applications.

DECD Update: “The Small Business Express Program 1.0 is inactive. Moving forward the Small Business Express Program will no longer be directly administered by DECD and will be administered by contracted vendor(s) working as a lending partner(s) to DECD.

Recommendation 24: The Department of Economic and Community Development should provide applicants a business plan template so they can submit plans that address common elements affecting businesses.

Status: Fully Implemented - DECD published a resource directory to provide technical assistance and posted a sample business plan on its website

DECD Update: “The Agency has published a resource directory to provide technical assistance and made a sample business plan available on our website.”

Recommendation 25: The Department of Economic and Community Development should amend its internal policy manual to check the applicant’s personal credit, whether the applicant is current on property taxes, and whether there are any liens against the applicant’s property.

Status: Partially Implemented - The Small Business Express Program will no longer be directly administered by DECD and will be administered by one or more contracted vendors working as a DECD lending partner. The department will require the lending partner to provide reasonable assurance that the applicants meet professional lending standards, are current on their property taxes and investigate any liens against the applicant’s property.

DECD Update: “The Small Business Express Program 1.0 is inactive. Moving forward the Small Business Express Program will no longer be directly administered by DECD and will be administered by contracted vendor(s) working as a lending partner(s) to DECD. The agency will require that the selected lending partner(s) provide reasonable assurance that the applicants meet professional lending standards, are not delinquent on their property taxes and investigate any liens against the applicant’s property.

Recommendation 26: The Department of Economic and Community Development should establish a written policy that identifies criteria for further analysis of an applicant’s loan risk when the Office of Financial Review raises certain concerns about the applicant’s financial viability.

Status: Not Implemented - DECD did not establish a written policy that identifies criteria for further analysis of an applicant’s loan risk when the Office of Financial Review raises certain concerns about the applicant’s financial viability.

DECD Update: “The Agency is considering the necessary steps to implement this policy recommendation.”

Recommendation 27: The Department of Economic and Community Development Letter of Intent Committee should maintain meeting minutes documenting its reasons for approving funding applications when the Office of Financial Review identifies significant financial concerns.

Status: Not Applicable - DECD does not maintain minutes to document its reasons for approving funding applications when the Office of Financial Review identifies significant financial concerns. The Letter of Intent Committee is no longer operating.

DECD Update: “The Letter of Intent Committee is no longer being utilized.”

Recommendation 28: The Department of Economic and Community Development should collect information on legal fees paid by business owners to track whether they have been paid. The department should recoup any unpaid legal fees from businesses.

Status: Fully Implemented - DECD collects information on legal fees paid by business owners to track whether they were paid. The department has a process to address and track unpaid legal bills and may refer them to the Office of the Attorney General.

DECD Update: “The Agency requires legal bills to be paid prior to finalizing assistance agreements. For agreements that are not finalized, the Agency has a process to address and track unpaid legal bills which may include referral to the Attorney General’s office if appropriate.”

Recommendation 29: The Department of Economic and Community Development should clarify its internal procedure and guideline manual regarding when a business owner must pay the department’s legal fees as part of the Small Business Express Program’s funding requirements.

Status: Not Implemented - The Small Business Express Program is inactive and will be administered by one or more contracted vendors working as a DECD lending partner. DECD did not indicate whether its contracted vendor will have a policy specifying when a business owner must pay the department’s or contracted vendor’s legal fees.

DECD Update: “The Small Business Express Program 1.0 is inactive. Moving forward the Small Business Express Program will no longer be directly administered by DECD and will be administered by contracted vendor(s) working as a lending partner(s) to DECD.”

Recommendation 30: The Department of Economic and Community Development should conduct a semiannual review of DECD-assisted businesses that have failed to determine whether the initial financial review identified common risk factors that could indicate that DECD should deny similar applications in the future.

Status: Partially Implemented - DECD did not conduct a semiannual review of the DECD-assisted business that failed to determine whether its initial financial review identified common risk factors that could indicate that the department should deny similar applications in the future. However, the department reports it continually updates its criteria and requirements before extending funding to reduce the risk of committing to a failing business.

DECD Update: “DECD does not have the resources to investigate initial reviews of failed businesses. DECD does, however, continually update the criteria and requirements before extending funding to reduce the risk of committing to a failing business.”

Recommendation 31: The Department of Economic and Community Development may consider increasing loan interest rates in future assistance agreements if a business owner does not submit the documentation required for DECD to conduct a project closeout audit.

Status: Not Implemented - DECD did not increase loan interest rates in its assistance agreements when business owners did not submit the documentation required for DECD to conduct a project closeout audit. However, DECD declares companies in default if they do not complete the project audit, in accordance with existing language in the assistance agreement.

DECD Update: “Any increases to an interest rate because of failing to complete a required project audit would have to be a provision written into an Assistance Agreement with the client. DECD does, however, declare companies in default for not completing the audit according to the language already in the Assistance Agreement.”

Recommendation 32: The Department of Economic and Community Development may consider increasing loan interest rates in future assistance agreements if a business owner does not submit the documentation required for DECD to conduct a project job audit.

Status: Fully Implemented - DECD can conduct a job audit using information obtained directly from the Department of Labor if a company fails to submit the required documents. The department applies any penalties that may result from the audit, including interest rate increases.

DECD Update: “DECD can conduct a job audit using information obtained directly from DOL, if a company fails to submit the required documents. Any penalties that may result from the audit completed including interest rate increases are applied.