STATE OF CONNECTICUT

EVALUATION OF THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT 2018 AND 2019 ANNUAL REPORTS

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN  ROBERT J. KANE
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In accordance with the provisions of Section 2-90c of the Connecticut General Statutes, we have evaluated the DECD annual reports for the fiscal years ended June 30, 2018 and 2019.

The key findings and recommendations are presented below:

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EVALUATION OF THE
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
2018 AND 2019 ANNUAL REPORTS

OVERVIEW

Section 32-1m of the General Statutes provides that, not later that February 1st 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 not administered by the department, during the preceding state fiscal year.

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 subdivisions (2) and (4) of subsection (a) of Section 32-1m of the General Statutes. Subdivisions (2) and (4) pertain to analyses of the economic development portfolio of DECD and business assistance or incentive programs not administered by 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 of the General Statutes.

Our review focused on determining whether data presented in the annual report appeared accurate and whether the annual report satisfied the reporting requirements under subsection (a) of Section 32-1m of the General Statutes. We reviewed the remaining requirements in a separate performance audit, which our office released on May 21, 2019.
STATE AUDITORS’ FINDINGS AND RECOMMENDATIONS

Our examination of the DECD annual reports for the fiscal year ended June 30, 2018 and 2019 disclosed the following 5 findings and recommendations, of which 4 have been repeated from the previous audit:

Omitted Statutorily Required Information

Criteria: Section 32-1m(a)(4) of the General Statutes provides that DECD’s annual report should include an analysis of each business assistance or incentive program that DECD did not administer with 10 or more recipients in the preceding fiscal year or credited, abated, or distributed more than $1,000,000 in the preceding fiscal year. The analysis shall include:

• An overview of the program and an analysis of its estimated economic effects on the state’s economy;

• An analysis of whether the statutory and programmatic goals of the program are being met, with obstacles to such goals identified;

• Recommendations as to whether any such existing business assistance or incentive program should be continued, modified, or repealed; and the basis for such recommendations and any recommendations for additional data collection; and

• The methodologies and assumptions used in carrying out the analysis.

Condition: Our review disclosed that DECD did not include information about the Department of Labor (DOL) Subsidized Training and Employment Program (Step Up) in its 2018 or 2019 annual reports. The Step Up program provides wage and training subsidies to employers that hire an unemployed jobseeker.

For the following non-DECD programs, the reports did not include analyses of the programs’ estimated effects on the state’s economy or analyses of whether the programs met their statutory and programmatic goals. In addition, the reports did not recommend whether the programs should be continued, modified, or repealed. DECD also did not include the methodologies and assumptions it used in conducting analyses for the following programs:

• Apprenticeship in Manufacturing, Plastics and Construction Tax Credit
• Electronic Data Processing Equipment Property Tax Credit
• Fixed Capital Investment Tax Credit
• Machinery and Equipment Expenditure Tax Credit
• Research and Development Expenditures Tax Credit
• Research and Experimental (Incremental) Expenditures Tax Credit
• Human Capital Tax Credit
• Programs administered by Connecticut Innovations including the Angel Investor Tax Credit and the Sales and Use Tax Exemption

**Effect:** The General Assembly’s ability to make decisions about business assistance and incentive programs is limited without complete information.

**Cause:** The department did not believe it was necessary to include the Step Up program in the report, since DOL prepares a separate report on the program. However, since the public act summary for Public Act 17-219 listed the Step Up program as an example of a non-DECD administered business assistance or incentive program, it appears that the General Assembly intended that the program be included in the report.

In addition, no one is collecting the data required to analyze the estimated effects on the state’s economy for programs not administered by DECD. Since DECD does not administer these programs, it may not be in the best position to recommend whether the programs should be continued, modified, or repealed.

**Prior Audit Finding:** This finding has been previously reported in the last evaluation covering the fiscal year ended June 30, 2017.

**Recommendation:** The Department of Economic and Community Development should work with other state agencies to ensure that it includes all non-DECD administered business assistance or incentive programs in its annual report. In addition, the General Assembly should consider modifying the reporting requirements included in Section 32-1m of the General Statutes, or require the agencies administering the programs to provide the data needed to estimate the impact on the state’s economy. (See Recommendation 1.)

**Agency Response:** “With the exception of the Department of Labor (DOL) Subsidized Training and Employment Program (Step Up), DECD was not required to list, report on and include an analysis of the following tax credits:

• Apprenticeship in Manufacturing, Plastics and Construction Tax Credit
• Electronic Data Processing Equipment Property Tax Credit
• Fixed Capital Investment Tax Credit
• Machinery and Equipment Expenditure Tax Credit
• Research and Development Expenditures Tax Credit
• Research and Experimental (Incremental) Expenditures Tax Credit
• Human Capital Tax Credit
These are tax credits allowed under the State of Connecticut tax code for businesses that can only be claimed on a business’ tax returns submitted to the Department of Revenue Services (DRS). These are not tax credit programs administered by different state agencies year-round. The annual report statute is specifically referencing tax credit programs and not all tax credits that may be available when a company files its tax return.

With respect to the DOL Subsidized Training and Employment Program (Step Up) and the programs administered by Connecticut Innovations including the Angel Investor Tax Credit and the Sales and Use Tax Exemption, DECD in 2017 sought to be exempted from compliance to report on these programs. DECD will pursue legislative approval to be exempted from compliance with this reporting requirement or to be removed from this requirement. These programs are administered by other State and quasi-State agencies that may be subjected to their own reporting and/or other disclosure requirements on the business incentives programs included in their annual reports. Also, DECD will pursue legislative approval for a yearly audit of these programs by the respective agencies that administer the programs resulting in reasonable assurance of the accuracy of the information presented in their annual reports to the legislative body of the State of Connecticut.”

Auditors’ Concluding Comments:

Section 32-1m(a)(4) of the General Statutes does not differentiate between tax credits allowed under the State of Connecticut tax code and tax credit programs administered by different state agencies. The statutes require an analysis of all business assistance or incentive programs, including any business tax credit or abatement program, grant, loan, forgivable loan or other form of assistance enacted to improve economic development.

Unsupported Data

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. The analysis shall include:

- A portfolio analysis, including an analysis of the wages paid by recipients of financial assistance by industry;

- An investment analysis including total portfolio value, total investment by industry, portfolio dollar per job average, and portfolio leverage ratio; and
• An overview of the programs and an analysis of their estimated economic impact on the state’s economy. The analysis shall include the number of new jobs created.

**Condition:**

Our review noted that DECD reported some amounts that did not agree with supporting documentation.

We noted the following differences in the 2018 DECD annual report:

**Tax Credits:**

- Non-DECD administered business assistance tax credits did not agree with supporting documentation obtained from the Department of Revenue Services. DECD overstated them by $6,859,265 (0.54%).

- DECD understated the amount of newly certified Enterprise Zone abatements by $309,548 (5%) and had incomplete data for 47 of the 208 (23%) companies that claimed abatements.

- DECD overstated the amount of jobs to be created or retained from Urban and Industrial Site Reinvestment Tax Credits by 1,013 (3%).

**Manufacturing Assistance Act (MAA):**

- DECD understated principal and interest payments by $6,456,137 (13%) for the MAA program and $92,073 (12%) for the small business assistance account (SBAA). DECD reported SBAA loans as part of the MAA program in the annual report. The amounts DECD reported did not include interest payments received.

- DECD understated the MAA-Connecticut Innovations Seamless program by $404,950 (8%).

- DECD did not weight the $57,916 average annual salary of its active portfolio for the number of employees per company. The average annual salary would be $89,696 if DECD used a weighted average.

- DECD overstated the jobs to be created or retained by 652 (1%).

**Small Business Express:**

- DECD understated the principal and interest payments by $3,005,712 (17%). The amounts DECD reported did not include interest payments received.
Airport Development Zone Program:

- DECD understated the total construction, acquisition, and equipment expenditures reported by $14,771,893 (76%).

Other Funding:

- DECD understated the financial assistance per job for other funding sources by $8,948 (53%), because it did not factor $80 million in sales and use tax exemptions into the calculation.

- DECD overstated jobs created or retained for the Minority Business Initiative by 101 jobs (23%).

We noted the following differences in the 2019 DECD annual report:

Tax Credits:

- DECD understated the Film, Television, and Digital Media tax credits issued by $658,819 (0.4%) and understated the amount spent by the companies receiving the credit by $2,196,062 (0.4%).

- DECD overstated the low end of the investment range for Research and Development Expenditures tax credits by $20,000,000 (15%).

- DECD understated the newly certified Enterprise Zone investments by $230,526 (2%) , and had incomplete data for 34 of the 203 (17%) companies that claimed abatements.

DECD Portfolio Wage Analysis:

- DECD understated the weighted average wage for the Arts, Entertainment and Recreation industry by $1,687 (4%).

Effect: The ability to make decisions about business assistance and incentive programs is limited without accurate information.

Cause: The errors were due to clerical mistakes and oversights.

Prior Audit Finding: This finding has been previously reported in the last evaluation covering the fiscal year ended June 30, 2017.

Recommendation: The Department of Economic and Community Development should ensure that amounts in its annual report are accurate and adequately supported. (See Recommendation 2.)
Agency Response: “DECD offers the following responses for the 2018 DECD Annual Report Conditions noted above.

Tax Credits:
- DECD is unable to confirm the accuracy of the data on non-DECD programs provided by other state agencies. Both the amount of the tax credits and the supporting claims data on these credits were provided by DRS. Because DECD is unable to confirm the accuracy of the data, DECD disagrees that the amount was over-stated; it is possible that the DRS total was correct and the supporting documentation was incomplete. However, there appears to be one or more unidentified discrepancies in the DRS data. Beginning with the 2019 Annual Report DECD will only report the summary data on these credits as reported in the DRS Annual Report.
- DECD agrees with these conditions, which apply to historical data DECD acquired from the Office of Policy and Management (OPM) in past years (2013-2015). DECD is unable to confirm the accuracy of the data provided by other state agencies. The claims data on EZ abatements are provided by OPM. If OPM’s list of claiming companies does not match DECD’s certification list, that does not necessarily mean that the data is incomplete. DECD-certified companies may not file claims for many reasons (missing the filing deadline, projects getting postponed or cancelled, for example). OPM’s historical use of paper files to record claims makes tracking these companies for DECD’s Annual Report purposes challenging. OPM started recording all claims digitally in 2019, which will allow DECD to track certified companies more efficiently. DECD will no longer report historical data obtained from OPM’s paper records, and will rely on OPM’s electronic spreadsheets going forward.
- We accept this condition and resolved it in the 2019 report.

Manufacturing Assistance Act (MAA):
- We accept this finding. Since it was not a statutorily required reporting requirement we did not include this data in the 2019 report so the finding was not repeated in the 2019 annual report.
- We accept this condition and we resolved it in the 2019 annual report.
- We acknowledge there are different ways to calculate averages. In 2018, we used a standard average and it was the auditor’s observation that we should have used a weighted average. To be consistent with the auditor’s observation, we changed to the weighted average for 2019 annual report so the issue is resolved.
- We accept this condition and we resolved it in the 2019 report.

Small Business Express:
We accept this finding. Since it was not a statutorily required reporting requirement we did not include this data in the 2019 annual report so the finding was not repeated.

_Airport Development Zone Program:_
- We accept this condition and resolved it in the 2019 annual report.

_Other Funding:_
- We disagree that the $80 million should have been included in the other financial assistance per job for other funding sources since other funding sources are for grants and loans. We resolved this condition in the 2019 annual report by including the sales and use tax exemption financial assistance per job in the tax credit section of the annual report.
- We accept that the Minority Business Initiative (MBI) jobs were overstated due to duplication between MBI recipients and Small Business express recipients. We did not include this data in the 2019 annual report so the finding was not repeated.

**DECD offers the following responses for the 2019 DECD Annual Report Conditions noted above.**

_Tax Credits:_
- We agree with this condition. DECD will ensure that data is checked by the Film Office for omissions before publication in the annual report.
- We agree with this condition. It was a typographical error; $133 million was typed instead of $113 million.
- We agree with the first condition, a few companies’ 2019 data were inaccurately entered. DECD will continue to crosscheck the accuracy of data for each company going forward. The second condition applies to historical data DECD acquired from OPM in past years. Claims data on EZ abatements are provided by OPM. If OPM’s list of claiming companies does not match DECD’s certification list, that does not necessarily mean that the data is incomplete. DECD-certified companies may not file claims for many reasons such as missing the filing deadline and postponed or cancelled projects. OPM’s historical use of paper files to record claims makes tracking these companies for DECD’s Annual Report purposes challenging. OPM started recording all claims digitally in 2019, which will allow DECD to track certified companies more efficiently. DECD will no longer report historical data obtained from OPM’s paper records, and will rely on OPM’s electronic spreadsheets going forward.

**DECD Portfolio Wage Analysis:**
- We accept this condition and will ensure we use formulas going forward.”
Auditors’ Concluding Comments: The $80 million in sales and tax exemptions were part of a financial assistance agreement that included a $140 million grant. DECD included the grant and the jobs associated with the overall project in the financial assistance per job for other funding sources. As a result, it is ambiguous to omit the sales and tax exemptions in the calculation.

Economic Impact Analysis

Background: In the 2018 annual report, DECD estimated the direct and total economic impact of its business assistance programs and the total economic impact of its incentive programs. Companies typically commit to making capital investments and creating a particular number of jobs. The direct impact is the tax revenue generated by these jobs and capital investments net of the cost of the assistance to the state.

The total estimated economic impact of a program consisted of the direct, indirect, and induced economic activity that occurred due to the program. DECD analyzed the economic impacts using a model designed by Regional Economic Models, Inc. (REMI). The department entered the direct economic activities, such as project costs and the amount of assistance provided, as inputs into the REMI model. The REMI model then estimated the direct, indirect, and induced impacts of the financial assistance.

DECD stopped calculating the indirect and induced impacts for the Manufacturing Assistance Act and Small Business Express programs in the 2019 annual report.

Criteria: Section 32-1m(a)(2) of the General Statutes provides that DECD’s annual report should include an analysis of the business assistance and incentive programs’ impact on the state’s economy.

Condition: Our review of the economic impact analyses included in the 2018 DECD annual report disclosed the following.

- DECD understated the total estimated impact on the gross domestic product (GDP) for Film and Digital Media Production Tax Credits by $59,706,323 (1.6%).
- DECD understated direct net state revenue to date for the Manufacturing Assistance Act by $16,998,376 (13%).
- DECD overstated direct net state revenue for the Small Business Express program by $14,667,989 (32%).
• Our review of DECD’s REMI inputs for total (direct, indirect and induced) estimated economic impact calculations disclosed that calculations for some Manufacturing Assistance Act projects did not properly account for complex loan forgiveness, loan deferral periods, and contract amendments. In addition, the errors noted in direct net state revenue calculations for the Manufacturing Assistance Act and Small Business Express programs would also affect DECD’s total estimated economic impact calculations. DECD did not adjust the REMI calculations to determine how the differences we noted would affect the department’s total estimated economic impact calculations. DECD stopped calculating the estimated indirect and induced impacts on the state’s economy in its 2019 annual report.

Our review of the economic impact analyses included in the 2019 DECD annual report disclosed the following.

• DECD understated the cumulative direct net revenue for the Urban and Industrial Site Reinvestment tax credits by $1,936,389 (0.7%).

• DECD overstated estimated net state revenue for the Film and Digital Media Production tax credit by $992,484 (0.2%). In addition, DECD understated tax credits issued by $374,309 and the amount spent by companies receiving the credit by $1,247,695 that the department used in its estimated net state revenue calculation. We did not determine how the differences noted would affect the amount of reported net state revenue.

• DECD understated the cumulative direct net state revenue for the Manufacturing Assistance Act program by $6,792,410 (5%).

• DECD understated the cumulative direct net state revenue for the Small Business Express program by $5,187,226 (12%).

**Effect:** The ability to make decisions about business assistance and incentive programs is limited without accurate information about the programs’ estimated impact on the state’s economy.

**Cause:** The errors were due to clerical mistakes and oversights.

**Prior Audit Finding:** This finding has been previously reported in the last evaluation covering the fiscal year ended June 30, 2017.

**Recommendation:** The Department of Economic and Community Development should ensure that amounts in its economic impact calculations are accurate, and that the department includes all relevant factors in its analyses. (See Recommendation 3.)
Agency Response: “DECD offers the following responses for the 2018 DECD Annual Report Conditions noted above.

- We agree with this condition. Estimated cumulative GDP was erroneously not updated after a revision to the analysis.
- We agree with this condition. Payments of principal and interest on SBAA loans were not included in the total repayments. This plus other formulaic errors have been corrected in the 2019 Annual Report.
- We agree with this condition. Payments of principal and interest on lending partner loans were incorrectly included in the total repayments. This plus other formulaic errors have been corrected in the 2019 Annual Report.
- We agree that the errors noted in the direct estimations noted above will impact the total estimated economic impacts in the 2018 Annual Report. DECD’s 2019 Annual Report only presents estimates of the direct economic and fiscal impact of the MAA and EXP programs. The direct impact is the most conservative estimation of the programs’ impact, and it gives an explicable picture of the programs on the state’s economy per the statutory requirements.

DECD offers the following responses for the 2019 DECD Annual Report Conditions noted above.

- We agree with this condition. DECD will track income tax estimation formulas more closely to ensure they change appropriately, when the income tax bracket changes.
- We agree with these conditions. DECD will ensure that data is checked by the Film Office for omissions and errors before publication in the annual report.
- We agree with this condition. This includes an unresolved principal and interest differential carried over from the 2018 report, which was brought to DECD’s attention in 2020. DECD will correct for this error in the 2020 Annual Report.”

Non-validated Job Data – Connecticut Innovations

Criteria: Section 32-1m(a)(4) of the General Statutes provides that DECD’s annual report should include an analysis of each business assistance or incentive program that DECD did not administer. The analysis must include an overview of the program and an analysis of its effects on the state’s economy, including, the number of new jobs created.

Condition: Connecticut Innovations, Inc. (CI) does not validate the number of jobs created and retained for the business assistance and incentive programs it administers.
Context: CI reported 17,743 and 32,117 of created and retained jobs as of June 30, 2018 and 2019, respectively.

Effect: There is reduced assurance that the reported job data is accurate. The ability to determine the impact of CI-administered programs is limited without reliable job data.

Cause: CI does not require recipients of business assistance or incentive programs to have their reported job records audited by a certified public accountant. In addition, CI has not developed procedures to validate job numbers.

Prior Audit Finding: This finding has not been previously reported.

Recommendation: The Department of Economic and Community Development should work with Connecticut Innovations, Inc. to ensure that the number of jobs reported in the annual report are accurate. (See Recommendation 4.)

Agency Response: “While Connecticut Innovations (CI) may not have required recipients of business assistance or incentive programs to have its job numbers audited by a certified public accountant, the organization does conduct its own internal review of the jobs number and any material discrepancies should have been identified in CI’s annual audit report. We are not aware of any audit findings related to its job numbers and reported in CI’s annual audit report that would have given us justification to question the validity of the job numbers reported by CI. The organization has confirmed with DECD that the job numbers given to DECD and reported by them are based on a standard formula for calculating full-time job equivalents in which 2 part-time jobs are counted as 1 full-time equivalent job. Therefore, a business with 10 full-time jobs and 4 part-time jobs will be reported as having 12 full-time jobs. CI confirms the job numbers with the businesses through a variety of means to determine the accuracy of the data.

DECD will continue to pursue legislative approval to be exempt from compliance with Section 32-1m(a)(4) of the General Statutes, which provides that DECD’s annual report should include an analysis of each business assistance or incentive program that DECD did not administer with 10 or more recipients in the preceding fiscal year or credited, abated, or distributed more than $1,000,000 in the preceding fiscal year. These programs are administered by other State and quasi-State agencies that may be subjected to their own reporting and/or other disclosure requirements on the business incentives programs included in their annual reports. Also, DECD will pursue legislative approval for a yearly audit of these programs by the respective agencies that administer the programs resulting in reasonable assurance of the accuracy of the
information presented in their annual reports to the legislative body of the State of Connecticut.”

Auditors’ Concluding Comments: Connecticut Innovations’ procedures involve reviewing information obtained from recipients of business assistance or incentive programs for reasonableness. However, CI has not developed procedures to determine if the information obtained is accurate, and represents the actual jobs created and retained as the result of the assistance provided.

Data to Consider Including in Future Reports

Background: Companies receiving assistance under the Manufacturing Assistance Act, Small Business Express, or Brownfield programs may be eligible for partial or full loan forgiveness. In addition, a certain portion of DECD’s outstanding loan balances may be uncollectible due to companies that have gone out of business. Forgiven or uncollectible loans represent funds DECD will never collect. The amount of uncollectible loans is an indication of how well companies that receive financial assistance are performing, and whether incentive programs are helping businesses successfully grow and expand.

Criteria: Section 32-1m of the General Statutes requires the Commissioner of Economic and Community Development to submit a report that includes information regarding DECD activities and business assistance or incentive programs not administered by the department, during the preceding state fiscal year.

In order to provide a complete depiction of the business assistance funding provided, DECD should include all pertinent facts, including information on uncollectible loans and potential and actual loan forgiveness, in the report.

Condition: DECD did not disclose information on uncollectible or written off loans and potential and actual loan forgiveness in the 2018 or 2019 DECD annual reports.

Context: DECD granted $34,283,556 in loan forgiveness and wrote off $5,068,493 of loans during the fiscal years ended June 30, 2018 and 2019. DECD did not estimate the amount of uncollectible loans during the audited period.

Effect: Reporting information on uncollectible loans and potential and actual loan forgiveness would provide a more accurate picture of DECD business assistance funding.
Cause: Section 32-1m of the General Statutes does not require DECD to include this information.

Prior Audit Finding: This finding has been previously reported in the last evaluation covering the fiscal year ended June 30, 2017.

Recommendation: The General Assembly should consider amending the reporting requirements in Section 32-1m of the General Statutes to include information on uncollectible loans, and potential and actual loan forgiveness. (See Recommendation 5.)

Agency Response: “DECD recognizes this finding as a recommendation to the General Assembly and agrees with the conclusion that DECD is currently not required to report on the uncollectible loans receivable balance in the annual report. DECD also agrees that a simple reporting of the total amount of the uncollectable loan balances, and actual loan forgiveness in the annual report would help to present a realistic loan receivable portfolio balance for each reporting period.”
RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior evaluation on the Department of Economic and Community Development 2017 Annual Report contained 5 recommendations. All the recommendations have been repeated or restated with modifications during the current evaluation. However, two of the recommendations have been combined into a single recommendation.

- The General Assembly should consider modifying the reporting requirements included in Section 32-1m of the General Statutes or require that non-DECD-administered programs provide the data needed to estimate the economic impact on the state’s economy. This recommendation is being repeated. (See Recommendation 1.)

- DECD should ensure that amounts reported in the annual report and included in economic impact calculations are accurate and adequately supported. This recommendation is being repeated. (See Recommendation 2.)

- DECD should work with other state and quasi-public agencies to ensure that all non-DECD administered business assistance or incentive programs are included in the annual report. This recommendation is being repeated. (See Recommendation 1.)

- DECD should ensure that amounts included in the economic impact calculations are accurate and all relevant factors are included in the department’s analysis. This recommendation is being repeated. (See Recommendation 3.)

- The General Assembly should consider amending the reporting requirements in Section 32-1m of the General Statutes to include information on uncollectible loans, and potential and actual loan forgiveness. This recommendation is being repeated. (See Recommendation 5.)
Current Audit Recommendations:

1. The Department of Economic and Community Development should work with other state agencies to ensure that it includes all non-DECD administered business assistance or incentive programs in its annual report. In addition, the General Assembly should consider modifying the reporting requirements included in Section 32-1m of the General Statutes, or require the agencies administering the programs to provide the data needed to estimate the impact on the state’s economy.

Comment:

DECD did not include information related to the Department of Labor Subsidized Training and Employment Program (Step Up) in its annual reports. In addition, DECD did not include analyses of the programs’ estimated effects on the state’s economy for other non-DECD programs.

2. The Department of Economic and Community Development should ensure that amounts in its annual report are accurate and adequately supported.

Comment:

Our review noted that DECD reported some amounts reported did not agree with supporting documentation.

3. The Department of Economic and Community Development should ensure that amounts in its economic impact calculations are accurate, and that the department includes all relevant factors in its analysis.

Comment:

Our review noted errors in DECD’s economic impact calculations. In the 2018 annual report, DECD understated the total estimated impact on the gross domestic product (GDP) for Film and Digital Media Production Tax Credits by $60 million, understated direct net state revenue to date for the Manufacturing Assistance Act by $17 million, and overstated direct net state revenue for the Small Business Express program by $15 million.

4. The Department of Economic and Community Development should work with Connecticut Innovations, Inc. to ensure that the amount of jobs reported in the annual report are accurate.

Comment:

Connecticut Innovations, Inc. does not validate the number of jobs created and retained for the business assistance and incentive programs it administers.
5. The General Assembly should consider amending the reporting requirements in Section 32-1m of the General Statutes to include information on uncollectible loans, and potential and actual loan forgiveness.

Comment:

DECD did not include information on uncollectible loans, and potential and actual loan forgiveness in its annual reports.
ACKNOWLEDGMENTS

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

Bryne Botticelli
Catherine Dunne
Kadie Noble
CONCLUSION

In conclusion, we 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.

Catherine L. Dunne
Principal Auditor

Approved:

John C. Geragosian
State Auditor

Robert J. Kane
State Auditor