WEDC Board Changes Key to Reform

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MADISON - “There’s a heck of a lot of things they didn’t tell me when I signed on,” admitted the chief of the Governor’s lead jobs agency during a recent hearing before the Joint Committee on Audit.

Reed Hall, CEO of the Wisconsin Economic Development Corporation (WEDC), spent several hours grilled by Audit Committee members. He agreed troubles existed but insisted WEDC was on a new track with plans to correct problems. Later in the hearing two lawmakers with experience as business executives provided solutions.

“I voted for WEDC and thought it was a good idea,” said Senator Tim Cullen, a former insurance executive. “Taking the best practices of the private sector and using them in WEDC was a good idea.”

But what was exposed in a recent audit of WEDC was the worst, not the best, of any business. The agency was run without basic managerial processes in place, without policies, without oversight of delinquent loans or consistency in loan or grants awards, without a clear budget or consistent accounting practices.

Accounting records couldn’t be reconciled to the point that the year-end financial report of the state of Wisconsin included only an estimate of the agency’s expenses.

And there was no evidence to support claims of tens of thousands of jobs created.

State law requires jobs be independently and annually verified through a sample of records. The public must know if jobs ‘promised’ by companies are actually created. Auditors determined this never happened. In more half of the company awards made, the business never even filed required reports.

State law also lays out a process to ensure dollars go to programs whose effectiveness can be measured. Because the agency failed to follow the law auditors were unable to determine if any program was effective in creating jobs.

For example, laws require WEDC to establish goals and expected results for each program. Reports should then be compared with expectations so lawmakers can make proper future funding decisions based on actual program outcomes.

WEDC failed to even identify expected results for a third of all programs it administers; let alone whether companies achieved expected results. Without expected results or company required reports detailing compliance it was impossible to determine if any program met its intended purpose.

WEDC awarded over $60 million in loans and grants and over $100 million in tax credits. They supervised local government in the sale of almost $350 million in bonds for projects.

But they kept members of the WEDC Board in the dark about inadequacies in oversight, internal processes and compliance with the law.

“The Board is toothless,” testified Board member and Assembly Minority Leader Peter Barca. “The Governor loves to control everything.”

“The Board must make the hiring decisions,” said Barca. “I’ve never served on a Board that does not hold the CEO accountable. They [WEDC executives] are free to ignore anything the Board says.”

Lawmakers Barca and Cullen recommended the Board be restructured and empowered. Audit and Finance committees be established and meet bimonthly, committee chairs and a lead director be created; committee chairs should set their own agendas; board members should serve for fixed terms.

Barca concluded with an ominous observation, “Key staff people are still misleading this committee, even today…. To this day they go around obfuscating jobs created, what role did they play to retain them?”

The answer is unclear and not auditable. With no budget, no company reports in over half of cases reviewed and no program expectations for a third of programs, one might think lawmakers shouldn’t increase WEDC’s funding.

But that’s exactly what happened in the Joint Committee on Finance only hours after the conclusion of the Audit Committee hearing.

Law requires the co-chairs of Finance to serve on the Audit Committee to ensure audit findings are reflected in budget decisions. Neither co-chair attended the Audit hearing. None of the recommendations on board changes were included in the Finance Committee action.

Rather than rush to create the appearance of a problem solved, legislative leaders should heed the advice offered the Audit Committee and create a board that bulldogs WEDC management into complying with the law. It’s the board’s responsibility; it’s time they were given the authority.

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