

WEDC's History Raises Concerns about State's Ability to Oversee Foxconn Deal

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WEDC has the new responsibility of overseeing the \$3 billion contract for the Foxconn deal despite a very troublesome history watching over Wisconsin's economic development efforts while tracking job creation, administering loans and verifying their work.

MADISON - "Can you find out the nuclear flaw in the Foxconn deal?" a woman asked me. She was referring to words leaked out of secret negotiations between the state and a Taiwanese billionaire.

Lawmakers, who recently voted in favor of the Foxconn deal, did so without seeing any contract. They put faith in a state operation known as Wisconsin Economic Development (WEDC).

Despite being paid for entirely with public funds, the \$3 billion contract with Foxconn is not public. Nor do lawmakers who approved the plan know what problems exist in the draft contract. As the saying goes, the devil is in the details. Lawmakers and the public cannot see the details and are asked to trust WEDC negotiating the deal and later overseeing the Foxconn's compliance.



But is WEDC worthy of our trust?

For years, the nonpartisan Legislative Audit Bureau (LAB) reported concerns about WEDC's administration and oversight of economic development programs.

In 2013, nearly two years after WEDC was created, auditors could not report on state dollars spent by WEDC because their financial and accounting systems were not adequate. Members of the Joint Legislative Audit Committee learned spending was tracked largely by credit card statements. To remedy this serious problem, legislators passed a new law that included an independent audit of all WEDC financial statements. Financial statement preparation should be basic for any state agency.

At an October 2013 Audit Committee public hearing, WEDC leaders promised they had complied with all the LAB recommendations. However, a year later, auditors reported many problems related to basic operations and the tracking of money. For example, auditors found some spending not recorded in the accounting system and found past due loans that were missing.

By 2015, auditors discovered a larger than necessary cash balance at WEDC. By the end of June 2015, WEDC had accumulated in excess of \$85 million as reported in a 2017 audit.

Losing loans and not properly accounting for internal expenses are problems associated with the operation of a troubled agency. But the problems WEDC could encounter in overseeing a

large project like Foxconn are related to the independent evaluation of the company's promises compared to their actual records.

Four years after WEDC was established auditors finally could report that WEDC made ANY effort to obtain information about jobs were actually created. However, further review by auditors showed the attempts made by WEDC only compared a company's own promises to report and the reports a company itself filed. WEDC made no effort to verify the information submitted.

In its most recent audit, the LAB reported WEDC paid an outside consultant \$24,900 to do the work they were required to do since their existence in 2011. Auditors found concerns including that the contractor's work was limited and did not include grants.

In the LAB's own evaluation of completed economic development projects, auditors' findings included: companies gave money for job creation without any contract requiring such, companies quitting before the end of their contract period without delivering promised jobs, contracts to create jobs were written with no specific number of jobs to be created, WEDC forgave loans even though the company created or retained a lower number of jobs than required, and WEDC counting twice the number of jobs created by a company.

If Wisconsin taxpayers cannot be confident after seven years and the investment of hundreds of millions of state dollars that promised jobs were created, how can we possibly be confident WEDC can negotiate and oversee a \$3 billion contract?

No local government would ever agree to spend money without seeing a contract. No banker would agree to loan funds without a contract. No businessperson would ever commit funds without a contract.

Lawmakers bought a pig in a poke – an unknown deal.

WEDC has not earned lawmakers trust, nor that of the public. Lawmakers can and should do more to oversee this project.

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