New Audit Raises More Questions About WEDC

Posted on Sep 29, Posted by [Kathleen Vinehout, State Senator 31st District]() Category [Wisconsin]()

The most recent audit of the state's job creation entity, the Wisconsin Economic Development Corporation (WEDC), continues to report problems with management of economic development grants and loans. Coupled with previous audits, the new audit raises questions about WEDC's policies and procedures, whether it is successful in assisting with job creation and ultimately, whether it is a good investment of taxpayer dollars.

MADISON - "I'm really uncomfortable with all these questions," Linda told me. We were discussing the most recent audit of the state's job creation agency: Wisconsin Economic Development Corporation (WEDC).

WEDC is a quasi-private entity formed by the governor in 2011 in an attempt to boost job creation. It is run almost entirely with state tax dollars.

A recently released Legislative Audit Bureau (LAB) report adds detail to the agency's administrative costs and management of economic development grants and loans in Fiscal Years 2011-12 and 2012-13.

The big question, did the agency successfully assist businesses in creating jobs, was not addressed in this audit. A companion audit last year reported there was no verification of claims of tens of thousands of jobs created.

The recent audit detailed administrative expenses and the management of tens of millions in economic development grants and loans. The audit found instances of missing or poor documentation in aspects of operation, including non-payroll expenses, merit awards, and the tracking of grants and loans. Poor accounting practices have plagued WEDC since its creation.

The earlier audit found WEDC didn't have basic managerial processes in place, nor a clear budget or consistent accounting practices. Even in the September 2014 agency response to the recent audit, WEDC officials acknowledged written accounting procedures had not been developed. They plan to develop a formal accounting procedure manual in 2015.

The 2013 audit found WEDC did not oversee delinquent loans, reporting "In October of 2012, WEDC officials told the governing board they became aware one week earlier that WEDC had never monitored repayment of loans, including those that were past due."

The recent audit reported that WEDC presented a limited methodology on calculating loan delinquencies. The limitation obscured the fact that nearly 9% of the total outstanding loan balance was delinquent.

I observed the delinquency rate at commercial banks on commercial and industrial loans was between .8 and 2.5% during the same period according to the Board of Governors of the Federal Reserve System. WEDC officials are quick to point out they are not a bank and make riskier loans than banks.

In their September 2014 response to the LAB audit WEDC continued to obfuscate the truth. In what appears to be an attempt to mislead, the letter lists several management outcomes and details "significant progress made" in six categories, even though the audit didn't evaluate and in most cases never discussed these items.

In one item, WEDC officials claimed a "major reduction" in delinquent loans. But the audit found many loans were written off, forgiven or restructured to delay a payment – hardly "significant progress".

Is the agency adequately monitoring loans and grants awarded to businesses and referring to a collection agency those loans that are delinquent? Most assuredly in the first two years, the answer was ‘no’.

Did WEDC use taxpayer money to assist businesses in the creation of verifiable jobs? We can’t answer this question. Although we know from the first audit that not a single job was verified in the first year of WEDC’s existence.

Is WEDC a wise investment of taxpayer dollars? We still don’t know. However, there is plenty of evidence to say in its first two years, the agency was a mess.

Tags: Untagged