# REPORT DIGEST

**MANAGEMENT AND PROGRAM AUDIT**

**ILLINOIS DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY**

**ADMINISTRATION OF ITS ECONOMIC DEVELOPMENT PROGRAMS**

Released: February 2006


State of Illinois
Office of the Auditor General

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## SYNOPSIS

In Fiscal Year 2004, the Department of Commerce and Economic Opportunity (DCEO) spent $945 million of which $850 million was for grants. Most, if not all, of this spending was for economic development efforts. DCEO funds or provides assistance for a large variety of projects to encourage economic development. In our audit work we found issues in the following areas:

- DCEO reports projected jobs to be created or retained instead of the actual jobs created or retained. In addition, DCEO's computer systems for performance measures did not track projected jobs vs. actual jobs.
- DCEO altered its performance measurement methodology to include employees that received training in its reported job creation and retention numbers.
- DCEO had difficulty in providing support for the jobs created and retained that were reported. For 8 of 10 jobs performance measures in our sample, documentation did not agree with the amount reported.
- Most of DCEO's other reported performance measures we reviewed did not agree with underlying documentation; 73 percent (57 of 78) of the figures we tested did not agree.
- In our sample of performance measures, we concluded that 45 percent (18 of 40) were good measures that could be used to help assess the effectiveness of the related programs while 20 percent (8 of 40) were poor measures that provided little insight into program effectiveness.
- Some DCEO programs had good monitoring requirements, but some programs did not. Twenty percent of projects we tested (20 of 99) did not require any additional monitoring reports other than a single closeout report.
- While none of DCEO's bureaus have established their own procedures, eight of eleven bureaus have completed some type of review of the efficiency or effectiveness of the agency's economic development programs.
- DCEO did not have a system to track statutory mandates to ensure that mandates are fulfilled and obsolete mandates can be addressed. We identified some unfulfilled mandates in our testing.

# REPORT CONCLUSIONS

In Fiscal Year 2004 the Department of Commerce and Economic Opportunity (DCEO) spent $945 million of which $850 million was for grants. Most, if not all, of this spending was for economic development efforts. DCEO funds or provides assistance for a large variety of projects to encourage economic development. The projects vary in size and type and can take a long time to produce intended results. The Department of Commerce and Economic Opportunity operates many programs which are related to economic development. DCEO programs were organized into eleven bureaus or program areas.

### JOBS AS A PERFORMANCE MEASURE

The Department of Commerce and Economic Opportunity reports projected jobs to be created or retained instead of the actual jobs created or retained. In addition, DCEO's computer systems for performance measures did not track projected jobs vs. actual jobs. This comparison would be valuable and could be used to compare the success of individual projects and the programs as a whole.

DCEO altered its performance measurement methodology to include employees that received training in its reported job creation and retention numbers. At the beginning of Fiscal Year 2005, DCEO made the decision to start counting employees that received training through the Employer Training Investment Program (ETIP) as jobs created or jobs retained. Including these employees greatly increased jobs numbers reported in the Public Accountability Report and in reports to the Governor's Office of Management and Budget (GOMB).

The number of jobs created and retained varied between the two main DCEO sources where it was tracked. When jobs numbers are not reported consistently, the accuracy of any jobs numbers reported becomes questionable. Our testing showed that neither system used by DCEO for tracking jobs created and retained captured all projects. In addition, one system included projects where it was questionable that the grant would have created or retained the number of jobs listed.

DCEO had difficulty in providing support for the jobs created and retained that were reported in the Public Accountability Report and in quarterly management reports to GOMB. The documentation provided did not agree with the amount reported in 8 of the 10 jobs performance measures in our sample. For two jobs measures in our sample, the documentation provided to support the reported jobs created/retained numbers conflicted with documentation provided to support another measure.

## OTHER PERFORMANCE MEASURES

Most of the Department of Commerce and Economic Opportunity's reported performance measures we reviewed did not agree with underlying documentation. Performance measures are indicators used to help assess how well programs have realized their objectives. In our testing of performance measures, 73 percent (57 of 78) of the figures we tested did not agree with underlying documentation. Reasons that reported amounts could not be supported included calculation errors, numbers changing in a database, and the inability to locate supporting documentation due to staffing changes.

In our sample of performance measures, we concluded that 45 percent (18 of 40) were good measures that could be used to help assess the effectiveness of the related programs while 20 percent (8 of 40) were poor measures that provided little insight into program effectiveness. The remaining 14 measures (35 percent) in our sample were potentially good measures but deficiencies identified with those measures limited their usefulness.

While performance measures were informally reviewed on a periodic basis, DCEO did not have a system in place that required periodic review. DCEO did not document reviews conducted when updating and changing performance measures.

Several performance measures were calculated incorrectly. In our sample, 13 of 40 (33%) performance measures examined contained some type of calculation error for the numbers reported. In some cases this was due to incorrect data being used or a mathematical error when calculating the measure. However, in one case, DCEO calculated the measure differently than the way it was defined.

## MONITORING

Some DCEO programs had good monitoring requirements, but some programs did not. We reviewed monitoring and reporting procedures DCEO uses to ensure that it receives timely and accurate information from grant recipients. Although DCEO had developed standardized grant agreements for programs, reporting requirements varied significantly among them. During testing, we found that 20 percent of projects (20 of 99) did not require any additional reports other than a single closeout report required after the end of a grant period. In addition, most grant agreements did not contain any monitoring requirements for site visits.

In our testing we found that DCEO programs did not consistently receive monitoring reports or follow up on late or missing monitoring reports required of their grant recipients. Forty-one percent of projects we reviewed (34 of 83) did not receive required reports. In addition, DCEO programs did not receive required reports in a timely manner for 60 percent of projects (50 of 83). We found that over 70 percent of projects reviewed (34 of 47) containing untimely program reports did not receive any follow-up by DCEO.

In addition to monitoring performed by program staff, DCEO has three central units that perform monitoring. Grants may be monitored centrally through the Grant Monitoring Unit, External Audits, and the Closeout Unit. We found that these units generally did an effective job.

**OTHER ISSUES**

While none of DCEO's bureaus have established their own periodic efficiency or effectiveness review procedures, eight of eleven bureaus have completed some type of review of the efficiency or effectiveness of the agency's economic development programs. Some statutory or federal requirements do exist and some ad hoc reviews have been performed. Seven of DCEO's bureaus have review requirements in Illinois statute or in federal rules or procedures. One bureau had taken steps to review programmatic efficiency or effectiveness without statutory or federal requirements. Three DCEO bureaus have no procedures for periodic review of efficiency and no reviews had been performed.

The Corporate Accountability for Tax Expenditures Act (Act) includes requirements to assure that recipients of economic development assistance comply with their agreements and, if they do not comply, assistance may be recaptured. However, the Act does not affect a large number of DCEO bureaus or a large proportion of DCEO grant expenditures. Of the Department's eleven bureaus, the Act's definition of developmental assistance to businesses affects only two bureaus.

DCEO did not have a system to track statutory mandates to ensure that mandates are fulfilled and obsolete mandates can be addressed. DCEO officials were aware of this problem and noted that they were developing a corrective action plan. Unfulfilled mandates that we identified were:

- DCEO did not fulfill all of its statutory reporting requirements. In our testing of reports that were required by statute to be completed, 40 percent (6 of 15) were not completed prior to our request.

- The Illinois Coal Development Board, chaired by the Director of DCEO, was not seated by the DCEO Director and has not met to provide advice on expenditures.

## BACKGROUND

On May 30, 2004, the Illinois House of Representatives adopted House Resolution 671. The Resolution directed the Auditor General to conduct a management and program audit of the Department of Commerce and Economic Opportunity's administration of its economic development programs. The Resolution directed that the audit include, but need not be limited to, the following determinations:

(i) Whether DCEO's economic development programs are operated in conformity with applicable federal and State requirements;

(ii) Whether DCEO has established and implemented procedures to periodically review both the efficiency and effectiveness of its economic development programs;

(iii) Whether DCEO has in place appropriate monitoring and reporting procedures to ensure that it receives timely and accurate information from its grant and loan recipients;

(iv) Whether DCEO's reported performance measures are periodically reviewed and adequately supported by underlying documentation; and

(v) Whether DCEO's performance measures indicate that its economic development programs are effective in accomplishing their stated purposes. (page 4)

## ECONOMIC DEVELOPMENT PROGRAMS

The Department of Commerce and Economic Opportunity operates many programs which are related to economic development. DCEO programs are organized into bureaus or program areas. These areas or bureaus within DCEO may contain only one program (like the Film Office) but some contain many programs, like Business Development which includes over ten programs. The Bureau of Workforce Development was moved from the Department of Employment Security in Fiscal Year 2004. Digest Exhibit 1 shows DCEO expenditures by bureau for Fiscal Years 2004 and 2005.

Digest Exhibit 1
**DCEO EXPENDITURES BY BUREAU**
Fiscal Years 2004 and 2005 (in millions)

| | Total Expenditures | |
|---|---|---|
| **Bureau** | FY04 | FY05 |
| Illinois FIRST / Local Projects | $ 245.1 | $ 2.0 |
| Community Development | 317.6 | 75.7 |
| Business Development | 32.8 | 44.0 |
| Technology & Industrial Competitiveness | 44.8 | 50.4 |
| Workforce Development | 199.6 | 156.9 |
| Tourism | 46.4 | 46.0 |
| Office of Coal Development & Marketing | 20.0 | 22.8 |
| Office of Trade and Investment | 5.3 | 5.2 |
| Illinois Film Office | 1.4 | 1.5 |
| Energy Conservation | 22.5 | 13.4 |
| Recycling and Waste Management | 9.5 | 6.8 |
| TOTALS [1] | $ 944.8 | $ 424.5 |

[1] Totals do not add due to rounding.

Source: DCEO data summarized by OAG.

(pages 4-6)

## JOBS AS A PERFORMANCE MEASURE

Jobs created and retained is one of the most important measures of performance for economic development agencies like DCEO. Although not all programs are driven by job creation, the creation of new jobs and the retention of existing jobs is an underlying goal of many of DCEO's economic development programs. The ability to accurately track the number of jobs created and retained is important in assessing the success of a particular project or a program.

**DCEO reports projected jobs to be created or retained instead of the actual jobs created or retained.**

### Projected Vs. Actual Jobs

DCEO reports projected jobs to be created or retained instead of the actual jobs created or retained. DCEO reports the projected jobs when the grant agreement or tax credit agreement is signed. There are two problems with this practice. First, if counted immediately, it is likely that jobs are counted in a period different than when the jobs will actually be created. Second, it is unlikely that projects will create the exact number of jobs projected. Some projects may create more jobs than are projected while other projects may be unsuccessful and create fewer jobs than projected.

The WINS system, which was created to track jobs created and retained, did not track actual jobs created and retained vs. projected jobs created and retained. A comparison of actual jobs created to the projected jobs created would provide a valuable management tool that could be used to compare the success of individual projects and the programs as a whole.

We recommended that DCEO report actual jobs created, along with projected jobs to be created, and clearly identify whether reported figures are projected or actual jobs created or retained. We also recommended that DCEO develop a system to accurately measure and track jobs created and retained. (pages 14-26)

## ETIP Jobs

**DCEO altered its performance measurement methodology to include employees that received training in its reported job creation and retention numbers.**

DCEO altered its performance measurement methodology to include employees that received training in its reported job creation and retention numbers. At the beginning of Fiscal Year 2005, DCEO made the decision to start counting employees that received training through the Employer Training Investment Program (ETIP) as jobs created or jobs retained. ETIP provides grants that reimburse companies for up to 50 percent of the cost of training their employees. ETIP grants can be given to individual businesses or to intermediary organizations offering multi-company training.

Prior to 2004, employees trained through ETIP (which was formerly known as the Industrial Training Program) were reported in the Public Accountability Report as:

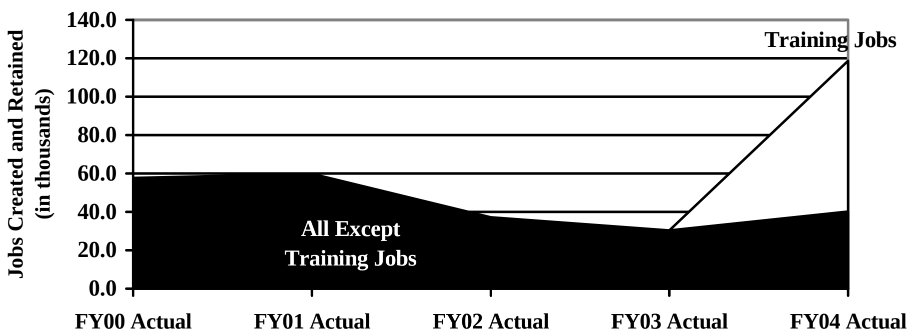
- Number of Industrial Training Program (ITP) trainees (new & upgraded).

At the beginning of Fiscal Year 2005, DCEO decided to start counting ETIP trainees as jobs created and retained. For the 2004 Public Accountability Report the name of the measure was changed to:

- Number of jobs created and retained through the Employer Training Investment Program (ETIP).

Digest Exhibit 2 shows the combined jobs created and retained reported in the Public Accountability Reports for Fiscal Years 2000 to 2004. The decline in jobs in 2002 and 2003 was due to the decline in jobs created by the Market Development Division in the Bureau of Business Development and by the Film Office. In 2004, jobs jumped substantially with the inclusion of the ETIP trainees as jobs created and retained.

Digest Exhibit 2
**JOBS REPORTED IN PUBLIC ACCOUNTABILITY REPORTS**




Note: Jobs reported in this exhibit are an aggregation of all jobs measures in the Public Accountability Report and therefore include double counting. Some large projects receive benefits from more than one program and jobs are then reported in more than one program in the Public Accountability Report data.

Source: Public Accountability Report data summarized by OAG.

Typical DCEO economic development programs, where the number of jobs created and retained is used to measure performance, involve providing assistance for business development or expansion that will create jobs. Conversely, an ETIP grant for training employees does not create jobs but instead provides funding to help train newly hired or existing employees. We recommended that DCEO discontinue its current practice of reporting employees that receive training through the Employer Training Investment Program as jobs created and retained. (pages 27-29)

**Supporting Documentation for Reported Jobs Numbers**

**DCEO had difficulty providing support for the jobs created and retained that were reported.**

DCEO had difficulty providing support for the jobs created and retained that were reported in the Public Accountability Report and in quarterly management reports to GOMB. In our sample of 40 performance measures, 10 involved jobs created or retained. The documentation provided did not agree with the number of jobs reported in 8 of the 10 performance measures in our sample. In addition, for two jobs measures in our sample, the documentation provided to support the reported numbers conflicted with documentation provided to support another measure. (pages 31-32)

### Conflicting Jobs Numbers

The number of jobs created and retained varied between the two main DCEO sources where it was tracked. When jobs numbers are not reported consistently, the accuracy of any jobs numbers reported becomes questionable. Our testing showed that neither system used by DCEO for tracking jobs created and retained captured all projects. In addition, one system included projects where it was questionable that the grant would have created or retained the number of jobs listed. (pages 21-23)

## OTHER PERFORMANCE MEASURES

The fourth audit determination asked us to determine whether DCEO's reported performance measures are periodically reviewed and adequately supported by underlying documentation. Performance measures are indicators used to help assess how well programs have realized their objectives. DCEO reports performance measures in two main ways: annually through the Comptroller's Public Accountability Report and quarterly to the Governor's Office of Management and Budget. (page 33)

### Periodic Review of Performance Measures

While performance measures were informally reviewed on a periodic basis, DCEO did not have a system in place that required periodic review. DCEO did not document reviews conducted when updating and changing performance measures.

A review system should allow each bureau to submit proposed changes to its performance measures through a formalized process and receive feedback on why those changes were or were not accepted. During our review at DCEO, one individual was responsible for the reporting of performance measures and working with GOMB and the Comptroller's Office to decide what measures are reported. A DCEO official said that meetings were held with the bureaus and with GOMB regarding performance measures. However, documentation was not maintained regarding these discussions to change and update performance measures. We recommended that DCEO ensure that a structured process is in place to review performance measures on a periodic basis. (page 36-39)

### Supporting Documentation For Performance Measures

**Most of DCEO's reported performance measures we reviewed did not agree with underlying documentation.**

Most of the Department of Commerce and Economic Opportunity's reported performance measures we reviewed did not agree with underlying documentation. In our testing of performance measures, 73 percent (57 of 78) of the figures reported did not agree with underlying documentation. (See Digest Exhibit 3.) Reasons that reported amounts could not be supported included calculation errors, numbers changing in a database, and the inability to locate supporting documentation due to staffing changes.

Digest Exhibit 3
**DID PERFORMANCE MEASURES AGREE WITH UNDERLYING DOCUMENTATION**

| | **Agree with Documentation?** | | |
|---|---|---|---|
| | **Yes** | **No** | **Total** |
| FY03 | 9 | 21 | 30 |
| FY04 | 9 | 29 | 38 |
| FY05 year to date | 3 | 7 | 10 |
| **Total** | **21** | **57** | **78** |

Source: OAG summary of testing results.

Several performance measures were calculated incorrectly. In our sample, 13 of 40 (33%) performance measures examined contained some type of calculation error for the numbers reported. In some cases this was due to incorrect data being used or a mathematical error when calculating the measure. In one case, DCEO calculated the measure differently than the way it was defined. We recommended that DCEO ensure that performance measures are calculated correctly and adequately supported by underlying documentation. (page 39-42)

### Effectiveness of Performance Measures

The fifth audit determination asked us to determine whether DCEO's performance measures indicate that its economic development programs are effective in accomplishing their stated purposes. In our sample of performance measures, we concluded that 45 percent (18 of 40) were good measures that could be used to help assess the effectiveness of the related programs while 20 percent (8 of 40) were poor measures that provided little insight into program effectiveness. The remaining 14 measures (35 percent) in our sample were potentially good measures but deficiencies identified with those measures limited their usefulness.

### Good Measures

Several performance measures in our sample were good measures that could be used to help assess the effectiveness of the program being measured. In our sample of 40 performance measures, we classified 18 (45 percent) as good measures. When making this assessment we considered the following factors:

- Whether the measure was appropriately titled so that the title reflects what was being measured;
- Whether the measure was defined properly;
- Whether the measure was calculated properly according to the definition;
- Whether this measure could be used to determine if DCEO's economic development programs were effective; and
- Whether there were other problems with the measure that brought into question the validity of the measure.

One example of a performance measure classified as good from our sample is Small Business Development Center (SBDC) New Businesses Started, from the Bureau of Business Development. It measures the number of new business starts that received assistance from a SBDC. One of Business Development’s primary purposes is to help new businesses. This measure provides a direct indicator of effectiveness by reporting the number of new businesses started as reported by the Small Business Development Centers. More details on good measures are included in Chapter Three of the audit report.

### Poor Measures

We classified 8 of 40 (20 percent) performance measures in our sample as poor measures that provide little insight into program effectiveness. One example of a performance measure classified as poor from our sample is Win Rate, from the Bureau of Business Development. It measures the number of projects successfully completed divided by the number of projects worked. This measure is poorly titled and defined. The user of the report would not know what this was measuring. In addition, a reasonable person could assume a project was not successfully completed until the purpose of the project, such as an expansion of a facility, was achieved. However, DCEO defines a project as successful once the company accepts an incentive package from the State. Additionally, DCEO included projects as “Wins” even though the projects were later cancelled. There were also several projects worked by DCEO that were not counted as either wins or losses.

### Could Be Good Measure But…

The remaining 14 measures (35 percent) in our sample were potentially good measures but deficiencies identified with those measures limited their usefulness. Deficiencies included:

- The use of projected numbers instead of actual results;
- Poorly defined measures that should be examined to improve the usefulness of the measure;
- Measures that were calculated differently from their definitions; and
- Measures with no supporting documentation, which limited a full assessment of the measures.

Some of the deficiencies with these measures were similar to deficiencies in the measures classified as poor measures. The difference between the two groups of measures is that these measures, if not for the deficiencies cited, had the potential to measure program effectiveness.

Assessing the effectiveness of programs is important. One tool that can be used to assess effectiveness is reported performance measures. However, if performance measures reported are not valid measures they will not be a good tool to assess program effectiveness. Additionally, if measures are not appropriately titled or defined, or if they are not calculated correctly, users cannot effectively use those measures. We recommended that DCEO examine its reported performance measures to ensure that the measures are useful and could be used to assess the effectiveness of its economic development programs. (pages 43-49)

## MONITORING

**Some DCEO programs had good monitoring requirements, but some programs did not.**

Some programs of the Department of Commerce and Economic Opportunity had good monitoring requirements, but some programs did not. We reviewed monitoring and reporting procedures DCEO used to ensure that it receives timely and accurate information from grant recipients. Although DCEO had developed standardized grant agreements for programs, reporting requirements varied significantly among them. During testing, we found that 20 percent of projects (20 of 99) did not require any additional reports other than a single closeout report required after the end of a grant period. In addition, most grant agreements did not contain any monitoring requirements for site visits.

DCEO programs did not consistently receive monitoring reports or follow up on late or missing monitoring reports required of their grant recipients. Forty-one percent of projects we reviewed (34 of 83) did not receive required reports. In addition, DCEO programs did not receive required reports in a timely manner for 60 percent of projects (50 of 83) reviewed. We found that over 70 percent of projects reviewed (34 of 47) containing untimely program reports did not receive any follow-up by DCEO. We recommended that DCEO follow up when required monitoring reports from grant and loan recipients are not received at all, are not received timely, or if information received is not accurate.

**We found the centralized Grant Monitoring, External Audit, and the Closeout units generally did an effective job.**

In addition to monitoring performed by program staff, DCEO has three central units that perform monitoring. Grants may be monitored centrally through the Grant Monitoring Unit, External Audits, and the Closeout Unit. We found that these units generally did an effective job.

Although centralized monitoring fulfills some of DCEO's monitoring needs and program monitoring fulfills some needs, monitoring inconsistencies exist among the bureaus. As a result, some programs have minimal requirements and some have significant requirements. In addition, some programs did comprehensive site visits and regularly followed up on missing monitoring reports while some programs did not. We recommended that DCEO review its monitoring and reporting procedures to assure that consistent information is required to fulfill both program and Departmental needs. Procedures should consider timeliness and accuracy of submitted information and consider requirements such as reports, site visits, and follow up for grant and loan recipients. (pages 51-60)

## MEASURING EFFICIENCY AND EFFECTIVENESS

The establishment and implementation of procedures to periodically review both the efficiency and effectiveness of the Department of Commerce and Economic Opportunity's programs is fundamental to the advancement of the State's economic development goals. The periodic review of both efficiency and effectiveness allows the State to evaluate whether its programs are achieving desired results with a minimum of expense and waste. Digest Exhibit 4 summarizes review requirements and reviews performed.

***Effectiveness* –** having an effect or producing a desired result.

***Efficiency* –** producing a desired effect with a minimum of effort, expense, or waste.

The second determination of House Resolution 671 required the OAG to determine whether DCEO has established and implemented procedures to periodically review both the efficiency and effectiveness of its economic development programs. *Effectiveness* is defined as having an effect or producing a desired result, such as an agency goal or objective. Additionally, *efficiency* is defined as producing a desired effect with a minimum of effort, expense, or waste. We recommended that DCEO establish and implement procedures to periodically review both the efficiency and effectiveness of its economic development programs. (pages 61-67)

Digest Exhibit 4
**PERIODIC REVIEW REQUIREMENTS AND COMPLETED REVIEWS BY DCEO BUREAU**

| Bureau | FY04 Expenditures in Millions | Has the Bureau Developed Written Procedures? | Statutory or Federal Requirements Exist | Statutory or Federal Requirements Done | Have Other Reviews (non-required) Been Completed? |
|---|---|---|---|---|---|
| Illinois FIRST | $245.1 | No | No | N/A | No |
| Community Development | $317.6 | No | Yes | Yes | No |
| Business Development [1] | $32.8 | No | Yes [1] | Yes [1] | No |
| Technology & Industrial Comp. | $44.8 | No | Yes | Yes | No |
| Workforce Development | $199.6 | No | Yes | Yes | No |
| Tourism | $46.4 | No | No | N/A | Yes |
| Coal Development & Marketing | $20.0 | No | Yes | Yes | No |
| Trade and Investment | $5.3 | No | No | N/A | No |
| Film Office | $1.4 | No | Yes | Part [2] | No |
| Energy Conservation | $22.5 | No | Yes | Yes | No |
| Recycling & Waste Management | $9.5 | No | No | N/A | No |
| Total [3] | $944.8 | | | | |

[1] The Enterprise Zone Program has a requirement. It is 1 of 13 programs in the Bureau.
[2] The required evaluation was completed but did not address job creation, used mostly projected numbers for film revenue, and did not provide estimates of tax credits.
[3] Total does not add due to rounding.

Source: OAG summary of DCEO procedures and reviews.

## COMPLIANCE WITH STATUTORY PROVISIONS

**DCEO did not have a system to track statutory mandates.**

The Department of Commerce and Economic Opportunity did not have a system to track statutory mandates to ensure that mandates are fulfilled and obsolete mandates can be addressed. DCEO officials were aware of this problem and noted that they were developing a corrective action plan. We recommended that DCEO continue its efforts to develop a system to track compliance with statutes and address statutes that are obsolete.

DCEO did not fulfill all of its statutory reporting requirements. In our testing of reports that were required by statute to be completed, 40 percent (6 of 15) were not completed prior to our request. We recommended that DCEO assure that all required statutory reports are completed as required and fulfill statutory requirements. If statutory requirements are obsolete, the Department should work to eliminate those requirements.

The Illinois Coal Development Board, chaired by the Director of DCEO, was not seated by the DCEO Director and had not met to provide advice on expenditures related to coal development functions that exceeded $40 million in Fiscal Years 2003 and 2004. We recommended that DCEO work to assure that members of the Coal Development Board are appointed and should assure that the Board meets as required to fulfill its advisory functions

The Corporate Accountability for Tax Expenditures Act (Act) includes requirements to assure that recipients of economic development assistance comply with their agreements and, if they do not comply, assistance may be recaptured. However, the Act does not affect a large number of DCEO program groups or a large proportion of DCEO grant expenditures. Of the Department’s eleven bureaus, the Act’s definition of developmental assistance to businesses affects only two bureaus.

DCEO published progress reports from companies receiving assistance as required by the Corporate Accountability for Tax Expenditures Act but the published information does not allow readers to determine whether the recipient was in compliance with the development assistance agreement. In addition, 26 percent of reports included discrepancies in the data that were reported. We recommended that DCEO assure that all reports required under the Corporate Accountability for Tax Expenditures Act include all required information and that data reported is complete and meaningful. (pages 69-81)

## RECOMMENDATIONS

The audit report contains 14 recommendations, 13 of which are noted in this digest. In addition, we recommended that DCEO continue its efforts to develop a more useable computerized system to support the needs of the Department.

The Illinois Department of Commerce and Economic Opportunity generally agreed with the recommendations. Appendix F to the audit report contains the Department's complete responses.

WILLIAM G. HOLLAND
Auditor General

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February 2006