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CITIZENS SUMMARY

Findings in the audit of Economic Development Advancement Fund

Lack of Transparency and Oversight	The Department of Economic Development (DED) provided more than \$5.9 million from the Economic Development Advancement Fund (EDAF) during the 3 fiscal years ending June 30, 2017, to the Hawthorn Foundation (HF) for business recruitment and marketing services without adequate transparency and oversight. Detailed expenditure information for payments made by the HF and the Missouri Partnership with EDAF funding are not available to the public. In addition, the DED circumvented the General Assembly in fiscal year 2017 by ensuring the HF received funding despite having no appropriation authority to support the payments.
Evaluation of Contract Provisions	The DED does not perform an adequate evaluation of the HF contract to ensure the amount paid is an efficient and effective use of EDAF funds, or that the HF complies with all contract provisions. The DED has not performed a cost-benefit analysis to justify the outsourcing of business recruitment and marketing services or to determine if outsourcing such services to a third party is an effective and efficient use of taxpayer monies. The DED did not require the HF to fulfill the matching funding contract requirements in fiscal year 2017 and had no basis for the significant increases to the per-job performance incentive paid to the HF in that year. The DED does not have adequate controls in place to detect when new announced jobs reported by the HF and the Missouri Partnership are incomplete or inaccurate. Since the number of new announced jobs is used to determine the amount of performance incentive compensation paid to the HF, there is less assurance the amount paid in performance incentives is accurate.
Expenditures	The DED does not have controls in place to ensure payments made using EDAF funds are in compliance with state law.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.