DEPARTMENT OF ECONOMIC DEVELOPMENT -
ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS,
AND MISSOURI COMMUNITY SERVICE COMMISSION

From The Office Of State Auditor
Claire McCaskill

Report No. 2001-65
August 24, 2001
www.auditor.state.mo.us

AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001
www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the Department of Economic Development, Administrative Services, Economic Development Groups, and Missouri Community Service Commission.

The Department of Economic Development may have potentially wasted or lost over $775,400 in state funds and increased the state's level of risk for the Urban Enterprise Loan Program. Each year the department receives an appropriation of approximately $2 million to be used equally in St. Louis and Kansas City under the Urban Enterprise Loan Program. The Department of Economic Development contracts with local lending institutions to provide loans and these contracts are specific regarding the maximum loan amount per business. The following highlights the audit findings:

- The Department of Economic Development did not adequately monitor the Urban Enterprise Loan Program to ensure the organizations complied with their contracts. Both organizations administered loans to small businesses that exceeded the loan limits set by their contracts with the department. Since 1996, 57 business loans in excess of $4 million were authorized in St. Louis and Kansas City. Of these 57 loans, 25 exceeded the maximum amount allowed, 11 loans had defaulted, with ten of the 11 loans receiving more than the maximum allowed.

- The organization in Kansas City failed to provide the Department of Economic Development with required loan information or quarterly reports. A year-end report noted the organization had included business loans that were not Urban Enterprise loans and several of the business loans stated the wrong loan amount.

- A prior contract organization in St. Louis had failed to return approximately $419,400 in Urban Enterprise monies to the department. At the end of the two-year contract in June 1998, the department requested the unspent loan monies held by this organization be placed in a separate account for use by the new contractor administering the program in St. Louis. Nothing was done with these monies until March 2001, when they were returned to the department.

- The Department of Economic Development has no recovery plans for the loss of over $700,000 in Urban Enterprise Loan monies. The department guaranteed two business loans with Urban Enterprise monies outside of the organizations they had contracted with to administer the program. Neither of these loan guarantees followed the procedure similar to those established by the department contractors.

YELLOW SHEET

(over)

The Department of Economic Development did not adequately monitor Neighborhood Assistance Program projects to ensure they were completed as approved. Numerous program files did not contain the required quarterly progress reports, final reports for completed projects, or any evidence that site visits were made on projects. Without this documentation there is little evidence or assurances that the program projects exist or have been completed as approved.

In 1999, the Department of Economic Development issued two Interim Financing Loans that exceeded the limits set by the Consolidated Action Plan by a total of $740,000. By issuing these loans under the Interim Financing Loan program, the department is did not comply with the Consolidated Action Plan and could put the Housing and Urban Development's continued funding at risk.

The Missouri Community Service Commission holds required quarterly commission and program director meetings throughout Missouri. The commission paid all meal and lodging costs associated with these meetings. The total lodging and meal costs of these meetings in fiscal years 2000 and 1999 were approximately $20,000 and $37,000, respectively. It does not appear necessary to incur some of the meal and lodging costs for a one-hour business meeting or reception. Our audit noted that none of the expenditures reviewed included an accurate listing of attendees for meal and lodging, and the number of individuals listed did not agree to the number of rooms or meals provided.

In fiscal years 2000 and 1999, the Department of Economic Development paid $715,315 and $666,222, respectively, in travel expenses, and $66,880 and $77,437, respectively, in department provided meal expenses. We noted seventeen instances where invoices were paid without adequate documentation. In eight instances department employees flew business class. In two of these instances we were able to determine that the business class tickets cost $9,096 while coach fare would have cost $2,795. There was no documentation indicating any prior approval by a supervisor for incurring the additional cost for the business class flights.

The Department of Economic Development has not developed criteria for determining who is allowed to access the Statewide Advantage for Missouri System (SAM II), the purpose and level of the access, and who determines and grants the access. There are no policies for documenting and reporting management authorization of new access, changes to existing access, or removal of current access when an employee terminates or transfers.

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Joseph L. Driskill, Director
Department of Economic Development
Jefferson City, MO 65102

We have audited the Department of Economic Development-Administrative Services, Economic Development Groups, and Missouri Community Service Commission. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2000 and 1999. The objective of this audit was to review certain management control procedures, legal compliance issues, policies, and management practices.

Our audit was conducted in accordance with applicable standards contained in Government Auditing Standards, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the department's revenues, expenditures, contracts, and other pertinent procedures and documents, and interviewed department personnel.

As part of our audit, we assessed the department's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our audit was limited to the specific matter described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the Department of Economic Development-Administrative Services, Economic Development Groups, and Missouri Community Service Commission.

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The accompanying Management Advisory Report Section presents our findings arising from our audit of the Department of Economic Development-Administrative Services, Economic Development Groups, and Missouri Community Service Commission.

Claire McCaskill
State Auditor

November 3, 2000 (fieldwork completion date)

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MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF ECONOMIC DEVELOPMENT –
ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS,
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SUMMARY OF FINDINGS

1. Neighborhood Assistance Program (NAP) (pages 7-9)

The Department of Economic Development (DED) did not adequately monitor the NAP projects to ensure they were completed as approved. A review of NAP projects indicated the DED had issued approximately $321,625 in tax credits for incomplete projects or capital projects where the building was not even started.

2. Urban Enterprise Loan (UEL) Program (pages 9-12)

The DED did not adequately monitor the UEL program to ensure the administering organizations in St. Louis and Kansas City were in compliance with their contracts, which resulted in loans exceeding the maximum allowed by a total of $787,217. The organization in Kansas City fails to provide the DED with required loan information as stated in their contract. A prior organization in St. Louis has failed to return approximately $419,000 in UEL monies to DED. The DED has no recovery plans for the loss of approximately $775,413 in UEL monies.

3. Interim Financing Loan Program (pages 12-13)

The DED issued Interim Financing Loans that exceeded the limits set by the Consolidated Action Plan.

4. Quarterly Meetings (pages 13-14)

The Missouri Community Service Commission incurs unnecessary costs for quarterly commission and program director meetings. Supporting documents for the quarterly meeting is not adequate.

5. Travel and Department Provided Meal Expenses (pages 14-15)

Invoices are paid without adequate supporting documentation. The DED is not following state travel regulations when employees use air travel. Two instances were noted where an employee purchased business class airfare tickets instead of coach class tickets for an additional total cost of $6,300.

6. Innovation Centers (pages 15-17)

Accounting duties are not adequately segregated. Financial records are not maintained in a manner to ensure the DED's funds are spent only for allowable purposes. Expenditures were made for non-operating expenses. There are no guidelines for meal and lodging reimbursements.

7. Center for Advanced Technology (CAT) and Electronic Materials Applied Research Center (EMARC) (pages 17-18)

   Time sheets are not prepared for time charged to the CAT or EMARC projects. CAT and EMARC expenditures are not approved for payment.

8. Fixed Asset Records (page 18)

   The DED has not performed a physical inventory of fixed assets since August 1998.

9. Performance Appraisal (page 19)

   The DED is not completing performance appraisals on a timely basis.

10. Information System Access Controls (pages 19-20)

   The DED has not developed criteria for determining who is allowed access to SAM II.

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Neighborhood Assistance Program

Each year the Department of Economic Development (DED) awards Neighborhood Assistance Program (NAP) tax credits for community projects. The DED receives approximately 250-300 community project applications, and approves and awards tax credits to approximately 150-200 each year. The DED awarded approximately $12 million in NAP credits in fiscal year 1999 and $18 million in fiscal year 2000. The recipients are to raise funds for their approved project with the donors receiving 50 to 70 percent of the contribution in tax credits. The recipients, depending on the project, have between one and three years to raise the necessary funds and complete the project. Starting in fiscal year 2000, the recipients are required to submit a quarterly report indicating contributions received and the progress of their projects, with a final report due at the end of the award period. Before fiscal year 2000, the recipients were required to file a status report which did not indicate the projects progress. In addition, since the inception of the NAP, the DED has performed random site visits to determine if projects were proceeding as approved. Our review of the NAP noted the following areas in need of improvement:

A. The DED did not adequately monitor the NAP projects to ensure they were completed as approved. Four out of ten NAP files reviewed indicated that NAP recipients had received approximately $250,000 in contributions and the DED had issued approximately $160,800 in tax credits for incomplete community projects.

Our review of NAP projects also noted that numerous NAP files did not contain the required quarterly progress reports, final reports for completed projects, or any evidence that site visits were made on projects. Without this documentation there is little evidence or assurances that NAP projects exist or have been completed as approved.

Starting July 1, 1996, NAP recipients sign a contract that gives the recipients three choices when a recipient cannot complete a project. One, the contributions received can be spent on another DED approved NAP project. Two, the contributions received can be returned to the donors with issued tax credits nullified. Three, the amount of the tax credits already issued can be returned to the State in an equivalent amount of cash. After our review of the four NAP files, the DED contacted one of the recipients and a check was received in the amount of $8,750 for the tax credits that had already been issued.

It appears that an adequate monitoring system for the NAP projects would have detected problems with the above projects and prompted an investigation into the problems. Such a system would ensure recipients were not allowed to keep the contributions that were donated for a specific purpose and spend those contributions for unapproved purposes. In addition, when tax credits are issued on an incomplete project the State of Missouri loses tax revenue and the communities do not receive the promised benefits from the projects.

B. In 1995, the DED approved a NAP building project in which the recipient received $229,750 in contributions and the DED issued $160,825 in 70 percent tax credits for a construction project that was never started. The 1995 NAP contract did not include provisions for incomplete projects and the DED allowed the recipient to keep the contributions that were donated for the construction project to spend the monies as the recipient chose. However, the NAP contract did state that all NAP cash donations were to be maintained in a separate NAP fund account and that six months after the project period ended any remaining funds should be placed in an escrow account established specifically for the approved project. We noted that the monies were not placed in an escrow account and the monies were being spent on the recipient's daily operations. Thus, it appears that the DED failed to adequately monitor the project, failed to protect the state's investment in this project, and ensure that the recipient was in compliance with the NAP contract. The DED should ensure these contributions are either spent on another NAP project or the $160,825 of tax credits issued is returned to the state.

WE RECOMMEND the DED:

A. Contact the recipients of the incomplete projects noted above and request the amount of the tax credits already issued to be promptly returned to the State in an equivalent amount of cash. In addition, we recommend the DED ensure that established NAP compliance procedures and policies are followed in a timely manner and that all prior NAP projects be reviewed to ensure that projects were completed as approved. If projects are not completed, immediate action should be taken to return applicable monies to the state.

B. Inform the recipient that the contributions must be spent on another approved NAP project or the value of the tax credits issued be repaid to the State, immediately.

AUDITEE'S RESPONSE

We believe that we have done a satisfactory job of compliance review given the limited resources we have been provided to perform this function. The Department has requested more resources for audit staff to provide compliance reviews of such programs on an ongoing basis, but we have yet to obtain the necessary funding.

As for the four projects noted in the audit report to be incomplete and for which a recovery of the benefits provided should be pursued, one project has already made a cash payment to the state for the amount of the credits and we are actively pursuing the resolution of the remaining three to bring closure to the projects identified.

It is notable that for several years now, pursuant to the authority granted us by law, it is a standard provision in our NAP agreements that the organization repay the state for any tax credits awarded on projects that fail to succeed. For any older projects without this provision in the agreement, we will assess the potential for recovery based upon an equitable claim versus a contract claim.

In summary, the Department:

- *Since program year 96 has ensured that it has implemented its statutory authority to "clawback" benefits from projects that fail to succeed by including such a provision in the program agreement;*
- *Identifies such failed projects to the fullest extent possible given our limited resources for audits in this program; and*
- *Once a failed project is identified, pursues enforcement of the contractual clawback provision. For projects awarded credits prior to the clawback provision being authorized to be included in the contract, we have identified equitable remedies that might be pursued.*

2. Urban Enterprise Loan Program

Each year the DED receives an appropriation of approximately $2 million to be used equally in St. Louis and Kansas City under the Urban Enterprise Loan Program (UEL). The purpose of the program is to insure or secure small business loans in designated areas of St. Louis and Kansas City to help small businesses obtain finance leveraging. The DED contracts with an organization in St. Louis and Kansas City to administer a small business-lending program for eligible businesses in each city under the UEL program. For a business to be eligible, they must have fewer than 100 employees and reside in the federally established urban enterprise zone. The DED contracts with local lending institutions to provide loans. These contracts are specific regarding the maximum loan amount per business. The UEL contract states that the maximum loan per business is the lower of $20,000 per new job created or retained; $100,000; or 50 percent of the total project cost. The DED paid loan administration fees to the two organizations of approximately $178,000 and $116,000 in fiscal years 2000 and 1999, respectively. Our review of the UEL program noted the following areas of concern:

A.1. The DED did not adequately monitor the UEL program to ensure the organizations were in compliance with their contracts. Both organizations administered loans to small businesses that exceeded the loan limits set by their contracts with the DED. We noted that since 1996 thirty-seven business loans were authorized in St. Louis and twenty in Kansas City, resulting in fifty-seven loans in the amount of $4,098,210. Of these fifty-seven loans, twenty-five (43 percent) exceeded the maximum amount allowed by a total of $787,217. By lending more than is allowed, the State has assumed a higher level of risk if the business fails, and has reduced the amount available for future loans to eligible businesses. In fact, we noted that of these fifty-seven loans, eleven (19 percent) of these loans had defaulted, with ten of the eleven loans receiving more than the maximum allowed. These eleven loans totaled $778,250 of which $314,217 was more than the maximum allowed.

It appears that an adequate monitoring system of the UEL program would have detected that the loans were in excess of the maximum allowed and prompted an investigation to ensure that the loans authorized were proper. This could have resulted in a lower risk to the State and increased the amount available for future loans.

2. The organization in Kansas City fails to provide the DED with required loan information, as stated in their contract. The UEL contract states that the organization is to submit specific business information to the DED for final approval before loans are authorized. We noted that the DED had not been notified or given the final approval for one of the business loans issued in the amount of $100,000. In addition, the organization is to provide a quarterly listing of the name of each new borrower (since the last report), the amount of UEL funds loaned, the amount of other funds involved in the project, the race and gender of the primary owners, existing number of employees, and the number of new or retained jobs. The Kansas City organization does not provide the quarterly report; however, at the request of the DED they do provide a year-end report. Upon review of the June 30, 2000 year-end report, we noted several errors. The organization had included business loans that were not Urban Enterprise loans and several of the business loans stated the wrong loan amount.

   Without timely and accurate reporting, the DED is unable to properly monitor the UEL program and ensure that the program is properly administered by the organization.

   Based on the problems noted above, the DED could save the administrative costs and improve controls over the UEL program by administrating this program itself.

B. A prior contract organization in St. Louis has failed to return approximately $419,400 in UEL monies to the DED. At the inception of the UEL program, the DED contracted with a St. Louis organization to administer the UEL program. The contract was for two years, which ended June 30, 1998. At the end of the contract, DED requested the unspent UEL monies held by this organization be placed in a separate account to be used by the new contractor administering the UEL program in St. Louis. As of October 2000, the monies had not been placed in a separate account or returned to the DED. By the contractor not returning the UEL monies as requested and the DED not ensuring state funds were properly managed, the state has lost the use of this money for any program and all interest that could have been earned in these funds since June 1998.

C. The DED has no recovery plans for the loss of approximately $775,413 in Urban Enterprise Loan monies. The DED guaranteed two business loans with UEL monies outside of the organizations they had contracted with to administer the UEL program. Both businesses defaulted on their loans with the applicable banks, and, as a result, the DED had to pay the guaranteed amounts. One of the businesses was located in Kansas City and one in St. Louis; neither of these loan guarantees followed the procedure similar to those established by the DED for the contractors administering the small business-lending program of the UEL program. In addition to the loan guarantees, the DED paid $80,000 in UEL monies to consultants that assisted the businesses in areas such as developing business plans and obtaining licenses.

By not developing guidelines similar to those established for the UEL contractor administered program, the DED may have increased the state's level of risk for the loan program, reduced the amount available to other eligible businesses, and potentially has wasted or lost over $775,400 in state funds.

WE RECOMMEND the DED:

A. Administer the UEL program directly to reduce costs and improve controls.

B. Work with the prior organization for an immediate return of the UEL monies to the state treasury.

C. Establish program guidelines to minimize the state's risk when securing loans under the Urban Enterprise Loan program. In addition, the DED should seek recovery of the lost monies if any recovery is possible.

AUDITEE'S RESPONSE

A. Since its inception this program has been administered by organizations or local government authorities for important reasons. The program, by its authorizing law, is for projects in St. Louis and Kansas City. It is more efficient to contract for the administration of these programs to entities in those cities that already perform similar activities with non-state resources. Reduced costs can be realized by having administrative costs shared by several funds versus it being borne only by the state. Also, the non-state resources can be matched with the UEL funds, resulting in more businesses being assisted with the same amount of state resources. DED does not have the authority to commit non-state funds in such a way. Nor can we, in as cost-effective and productive a manner, coordinate with other locally based entities that have their own resources for the focus area. The entities that we contract with have shown expertise and experience in administering loan portfolios. They have a history in the communities they serve and a good network of contacts to market the program and leverage other monies for the projects. For what is actually a low administrative fee authorized by law for this program, the synergy these entities provide means that the program benefits from the services of several people who promote and administer the program. We believe the result achieved by the program being administered locally is actually more efficient and productive than administering it in-house.

If we are receiving less than satisfactory results from the entity we have a contract with, we can contract with another entity after an RFP process. The failure of an organization to continue to produce desired results at some point does not negate their effectiveness in the past. Should we, in the future, determine that an organization we contract with is performing unsatisfactorily, for whatever reason, and we do not find local organizations that we determine can administer the program more successfully and efficiently than we could in-house, we would certainly consider in-house administration.

B. *The Department has already been successful in securing the return of the funds. These funds were received on March 1, 2001, and deposited in the Business Extension Service Team Fund.*

C. *The Department requires our contractors to pursue recovery upon default. Recovery is sought where there is a possibility of recovery. It would not be a prudent practice, however, to bring lawsuits where the costs of pursuing recovery exceed the assets from which a recovery is secured – where there is little or nothing to be recovered. Even with satisfactory due diligence, this will sometimes happen, especially in light of the nature of the loans in this program. To have a loan portfolio that contains only low-risk transactions simply puts government in competition with the private sector and that is certainly not the role of public lending or of this program in particular. This program, like other public loan programs, is intended to aid those higher-risk applicants who cannot obtain conventional financing. What is important is that in assessing the propriety of an Urban Enterprise Loan Program portfolio, one must recognize that more of the borrowers will be higher-risk and therefore the default rate will be higher. We believe that we, through our contractors, do have an appropriately balanced loan portfolio given that this is a public lending program not intended to compete with the private financial sector.*

3. Interim Financing Loan Program

In 1999, the DED issued two Interim Financing Loans that exceeded the limits set by the Consolidated Action Plan by a total of $740,000. Each year a Consolidated Action Plan is prepared which details how the Community Development Block Grant (CDBG) monies will be used and disbursed. The plan is required and approved by the U.S. Department of Housing and Urban Development (HUD), or, without the HUD's approval, the state cannot receive CDBG funds. The plan outlines specific funding limits per project, which can change each year, for each of the CDBG loan programs. The purpose of the Interim Financing Loan (IFL) program is to provide cash flow relief for a company when the need for such assistance can be demonstrated to cause a project to occur. In 1999, the funding limits for the IFL program was the lower of $25,000 per new job created or retained; $5,000,000; or 30 percent of the total project cost. The DED issued an IFL in the city of Nevada in the amount of $260,000, which exceeded the maximum allowed by $26,000. The other IFL was issued in the city of Mexico in the amount of $1,800,000, which exceeded the maximum allowed by $714,000.

By issuing these loans under the IFL program, the DED is not in compliance with the Consolidated Action Plan and HUD's continued funding could be at risk. In addition, by exceeding the maximum allowed the risk assumed by the state for the loan program is increased.

WE RECOMMEND the DED comply with the guidelines established in the Consolidated Action Plan.

AUDITEE'S RESPONSE

The State Auditor's staff reviewed nearly 80 CDBG loans covering the time period 1992 to the end of the audit period. These loans amounted to nearly 60 million dollars. The audit report cites two instances where the amount loaned exceeded the formula in our Consolidated Action Plan submitted to the U.S. Department of Housing and Urban Development. We believe that for the amount of loans and the time period, two instances of noncompliance, particularly where one clearly appears to have been due to a computational error of rounding up, are minimal. Additionally, the formula is one that we develop and submit for HUD's acceptance – we are not required by state or federal law to use the particular formula that we do.

Nevertheless, we strive for zero error and have already taken steps to ensure that the responsible program administrators are properly calculating and applying the formula for any given year. It is also notable that the Department contracted with the National Development Council for technical assistance in this and its sister CDBG loan program (Action Fund Loan) as part of our ongoing efforts to continually improve upon these programs, irrespective of any audit findings.

4. Quarterly Meetings

The Missouri Community Service Commission (MCSC) holds quarterly commission and program director meetings throughout Missouri. The meetings, which are required by federal regulation, include lodging and meals for the commissioners and the program directors. Attendance at these meetings ranges from twenty to thirty individuals. The total lodging and meal costs of these meetings in fiscal years 2000 and 1999 were approximately $20,000 and $37,000, respectively. Our review of the quarterly meeting's lodging and meal costs noted the following areas of concern:

A. Some of the lodging and meal costs incurred for these meetings appear to be unnecessary. We noted that the agenda for some of the quarterly meetings included the following:

Day one	One-hour business meeting or reception, followed by dinner
Day two	Full day of training, with breakfast, lunch, and dinner provided
Day three	Half day of training, with breakfast and lunch provided

The commission paid all meal and lodging costs associated with these meetings. It does not appear necessary to incur meal and lodging costs for a one-hour business meeting or reception. The business matters addressed at this one-hour meeting or reception, if necessary, could have been handled at the start of day two or at the completion of the training on day three with no additional costs incurred.

The commission needs to reevaluate the agenda for some of the quarterly meetings in an effort to eliminate any unnecessary costs and ensure the efficient use of time and resources.

B. We noted that none of the expenditures reviewed included an accurate listing of attendees for meals and lodging. Although all of the expenditures reviewed included a list of individuals, the number of individuals listed never agreed to the number of rooms or meals provided. Personnel at the MCSC gave several reasons why the list of attendees included with the invoices did not agree with the invoices. Some of the reasons were: there was an oversight and individuals were left off the list that should have been included, the MCSC had guaranteed with the meeting a certain number of individuals attending and some of those individuals did not attend, and some of the commissioners and program directors live in the area where the meeting is held, thus, they did not need lodging or meals. Adequate documentation is necessary to ensure the propriety of these expenditures.

WE RECOMMEND the commission:

A. Review each meeting agenda to ensure the time and costs for each meeting are reasonable and necessary.

B. Require adequate and complete documentation for all expenditures.

AUDITEE'S RESPONSE

A. The Department concurs and will implement a procedure, to at least include a review of an agenda before it is finalized, to ensure that an appropriate balance is struck among the following interests:

- *complying with the statutory requirement of quarterly meetings;*
- *accommodating the schedules and travel requirements of the commission members, who serve without remuneration;*
- *providing adequate time for the Commission to conduct its business; and*
- *increasing the efficiency of the scheduling of meetings as to start and end dates and times, which should also result in a decrease in unnecessary costs associated with inefficient scheduling.*

B. The Department concurs and will require that adequate and complete documentation be provided to support expenditures.

5. Travel and Department Provided Meal Expenses

In fiscal years 2000 and 1999, the Department of Economic Development (DED) paid approximately $715,315 and $666,222, respectively, in travel expenses, and $66,880 and $77,437, respectively, in department provided meal expenses. The travel expenses represented amounts billed to the department from various travel agencies, lodging providers, and amounts reimbursed to employees through expense accounts. The department provided meal expenses represented amounts billed to the department from various food service providers. During our review of the travel and department provided meal expenses, we noted the following areas of concern:

A. In seventeen instances, out of sixty-one invoices reviewed, invoices were paid without adequate supporting documentation. We noted instances where invoices were paid for meals or lodging without an accurate listing of who the meals or lodging was provided for. Adequate documentation is necessary to ensure the propriety of these expenditures.

B. In eight instances DED employees flew business class. In two of the instances we were able to determine that the business class tickets cost $9,096 while coach fare would have cost $2,795. There was no documentation indicating any prior approval by a supervisor for the business class flights. Rule 5 of the state travel regulations states that air travel is limited to no more than coach fare. All unusual travel expenses paid by the DED should have prior approval or be in compliance with state travel regulation.

WE RECOMMEND the DED:

A. Require adequate documentation for all expenditures. In addition, when meals and lodging are provided, supporting documentation should include a list of all individuals who received lodging and meals.

B. Require prior approval for all unusual travel expenses or follow the established state travel regulations.

AUDITEE'S RESPONSE

A. The Department follows the Office of Administration guidelines related to required documentation of expenditures.

B. We will require clear documentation of any need for and formal prior approval of any atypical travel expenditures.

6. Innovation Centers

The DED contracts with four innovation centers located in Columbia, Kansas City, Rolla, and St. Louis. These centers are organized as not-for-profit corporations. The innovation centers' objectives are to provide technical, managerial, financial, marketing, and other assistance to science and technology-based firms with potential for job creation and the associated economic growth. Our review of the innovation centers noted the following concerns:

A. Accounting duties over innovation center activities in Columbia and Kansas City are not adequately segregated. Currently, one individual receives monies, records receipts and disbursements, writes checks, receives bank statements, and performs bank reconciliations.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance and could be achieved by segregating the functions of receiving and disbursing the monies from maintaining the accounting records. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented review by an independent individual.

B. The financial records for the innovation centers in Kansas City and Rolla are not maintained in a manner to ensure the DED's funds are spent only for allowable purposes. The innovation centers do not account for funding received from the DED and the related expenditures separately from funding and expenditures from other sources. The DED contract with the innovation centers state that funds received may only be used for salaries and operating expenses. When the DED's funding and the related expenditures are not tracked separately, there is no assurance that the DED's funds are being used only for the purpose they were intended.

C. The Kansas City innovation center spent approximately $950 for Christmas gifts and Christmas and Thanksgiving luncheons for the board members and employees during fiscal years 2000 and 1999. In addition, we noted several instances where the Rolla innovation center purchased cake and ice cream for employee birthdays. These expenditures do not appear to be legitimate operating expenses that should be paid with the DED's funds.

D. We noted that the Rolla innovation center has not established guidelines for the maximum dollar amounts for meal and lodging reimbursements to employees. The employee is responsible for ensuring the expenses were reasonable and necessary. We noted an instance when the lodging cost was $171 per night and a meal for the same time period was $141. In addition, the expense reports and credit card charges do not include a purpose or provide adequate support to ensure the purchase is a proper expenditure. In the absence of established guidelines for maximum meal and lodging reimbursements, the center may be reimbursing employees for excessive or unnecessary costs. In addition, without adequate support, the center can not ensure purchases were proper.

WE RECOMMEND the DED:

A. Require innovation centers to segregate accounting duties to the extent possible. At a minimum, an independent individual should perform documented reviews of the work performed.

B. Require the innovation centers to maintain their accounting records in a manner that would ensure the DED's funding is spent only for allowable purposes.

C. Establish a policy disallowing the practice of paying for Christmas gifts, luncheons, and other unnecessary food for board members and employees with state funds.

D. Require the innovation center to establish maximum meal and lodging reimbursement guidelines and maintain adequate support for all state expenditures.

AUDITEE'S RESPONSE

We will work with the Innovation Centers to ensure that accounting duties are properly segregated. We will seek to require in future contracts that internal controls and safeguards be developed to assure that funding is spent appropriately, will disallow payments of unnecessary expenses, and establish reimbursement guidelines for all expenditures.

7. Center for Advanced Technology and Electronic Materials Applied Research Center

The DED contracts with two universities as Centers for Advanced Technology (CATS) and one university as an Electronic Materials Applied Research Center (EMARC). The objective of the CAT program is to encourage the interaction of Missouri's academic, business, and industrial communities to develop and commercialize new technologies. The objective of the EMARC program is to accelerate the commercialization of electronic materials technologies by member companies by providing advanced technical support in research and development. Our review of the CATS' and EMARC noted the following concerns:

A. Professors and graduate students at the Rolla center do not prepare time sheets for the time charged to the CAT or EMARC projects. Time sheets are necessary as a means of documenting work actually performed and support for project expenditures.

B. Although the Rolla CAT and EMARC centers approve project proposal budgets prepared by applicable professors, they do not review supporting documentation for the expenditures throughout the year. Rather, the professors responsible for the projects submit the invoices for payment without supervisory approval. We noted several instances where expenditures were charged to the wrong project. We also noted travel expenditures charged to CAT and EMARC projects that had no travel budgeted.

Without supervisory expenditure approval, the Rolla center cannot ensure the validity of the expenditures.

WE RECOMMEND the DED ensure that the Rolla CAT and EMARC:

A. Require professors and graduate students to record actual time worked on CAT and EMARC projects.

B. Require the centers to review and give approval of all project expenditures.

AUDITEE'S RESPONSE

A. *While we agree it is important to have necessary safeguards in place to review and give approval for all project expenditures, we do not feel it necessary for the professors and graduate students to prepare time sheets for work on CAT and EMARC projects. Monthly financial reports are submitted and reviewed which includes salary and wage figures for the previous quarter. However, we will discuss the implementation of this recommendation in future negotiations of CAT and EMARC contracts.*

B. *The Department concurs with this recommendation. We have been and will continue to work with the Rolla-CAT and EMARC to put controls in place to ensure that expenditures are properly charged and that the centers review and approve actual expenditures.*

8. Fixed Asset Records

A physical inventory of the fixed assets is not performed on an annual basis as required by the Code of State Regulations at 15 CSR 40-2.031. An individual who is responsible for all of the record keeping duties performed the last fixed asset physical inventory verification in August 1998. The DED fixed assets at June 30, 2000 were valued at more than $3 million. Additions to the records during fiscal year 2000 were approximately $634,000 and deletions were nearly $145,000.

Annual physical inventories are necessary to establish proper accountability over fixed assets. Documentation of the physical inventory should be retained to show compliance with the state regulations. In addition, employees who are independent of the record keeping responsibilities should perform the physical inventory.

WE RECOMMEND the DED conduct an annual physical inventory and reconcile the physical inventory to the fixed asset records. Documentation of the physical inventories should be retained to show compliance with state regulations. The department should also ensure the individual who performs the physical inventory is independent of the record keeping duties.

AUDITEE'S RESPONSE

The reason it was apparent that the Department had not conducted a physical inventory since August 1998 was because of the need to redirect our staff toward SAM II implementation during the relevant period in 1999. We did complete a majority of the fiscal year 1999 physical inventory, and fully completed our physical inventory for fiscal year 2000 in a timely manner. This finding was a one-time instance due to extenuating circumstances given the staffing needs for the implementation of SAM II.

Additionally, duties have been realigned so that persons performing the record-keeping duties will no longer participate in the physical audit.

9. Performance Appraisal

The DED is not completing performance appraisals on a timely basis. Our test of thirty-two employees noted seven had never received a performance appraisal and nineteen had not received a performance appraisal for at least two years, including an employee who received his last performance appraisal in July 1994. To adequately evaluate employee performance and to assist the agency in personnel decisions, the agency should complete employee performance appraisals on an annual basis. In addition, 1 CSR 20-3.050 requires periodic performance appraisals be considered when personnel decisions are made.

WE RECOMMEND the DED implement procedures to ensure annual performance appraisals are completed for all employees.

AUDITEE'S RESPONSE

In 2000, the Department undertook an effort to redesign our "performance management" system and as a result of focus groups and planning sessions, a new system is being developed. This system should be implemented in a majority of the development groups and administration in July 2001. Implementation for the remainder will follow.

10. Information System Access Controls

The DED processes all financial accounting activity including budget, purchasing, revenues, and expenditures (on-line) using the Statewide Advantage for Missouri System (SAM II). The SAM II system includes over 570 on-line screens for data entry, inquiry, or modification. The significance of the information processed through SAM II requires that controls be in place to adequately restrict access to the system. To provide access control over SAM II, employees are assigned a unique user identification code (user ID). The DED is responsible for determining what each user is allowed to do in SAM II, and grants these permissions by assigning specific access rights to each user ID. This control technique provides a method to limit employees' access rights, including data entry and document approval capabilities, to only the functional areas of SAM II that are necessary for the employees to perform their assigned job duties. Therefore, controls over the issuance and maintenance of user IDs and access rights are critical to the effectiveness of system access.

During our review of access to SAM II system, we noted the DED has not developed criteria for determining who is allowed to access SAM II, the purpose and level of the access, and who determines and grants the access. In addition, there are no policies for documenting and reporting management authorization of new access, changes to existing access, or removal of current access when an employee terminates or transfers. As a result, assurance is lacking that management properly authorized employee access and that employees' access is limited to appropriate SAM II data.

Security standards to document the criteria to be used in granting and maintaining access to SAM II represent the minimum control standards that should be in place to ensure that the DED can safeguard its information assets and properly record authorized transactions. This is the first step and a key concept in the development of adequate security architecture.

WE RECOMMEND the DED develop security standards to document the criteria to be followed for granting, maintaining, and monitoring access to SAM II.

AUDITEE'S RESPONSE

The Department believes authorization has been given to appropriate staff, based on our undocumented security standards. However, the Department will formalize our security standards, documenting the criteria to be followed for granting, maintaining, and monitoring access to SAM II.

This report is intended for the information of the management of the Department of Economic Development-Administrative Services, Economic Development Groups, and Missouri Community Service Commission and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF ECONOMIC DEVELOPMENT
ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT
GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Department of Consumer Affairs, Regulation and Licensing was created July 1, 1974, with the Omnibus State Reorganization Act. Effective September 7, 1984, the department's name was changed to the Department of Economic Development (DED) as a result of the adoption of a constitutional amendment. The department is composed of several agencies organized to execute statutory requirements and department policies in the areas of economic development, regulation of business and financial institutions, and professional registration.

Carl Koupal Jr. served as the Director of the DED from January 1985 to February 1992. David C. Harrison served as the Director from March 1992 to April 1993 when Joseph L. Driskill became the Director.

The Administrative Services, Economic Development Groups, and Missouri Community Service Commission had approximately 226 full-time employees as of June 30, 2000.

ADMINISTRATIVE SERVICES

The director appointed by the governor and confirmed by the Senate, is the chief executive officer of the department. The director appoints the central management staff and principal division directors, supervises the departmental agencies, and advises the governor and General Assembly on matters relating to the department.

The deputy director, who acts as director in his absence, is primarily responsible for program development within the department. The deputy director maintains staff and advisory relationships with selected divisions, assists in legislative efforts and performs functions as delegated by the department director. David Mitchem currently serves in this position.

The director of administration is responsible for the department's administrative support and operations functions, accounting, budget, management information systems, personnel, as well as staff and advisory relationship with selected divisions.

ECONOMIC DEVELOPMENT GROUPS

The Economic Development Group staff (formerly Economic Development Programs) assists in creating jobs and capital investment in the state of Missouri. They administer and coordinate numerous programs, which contribute to the improvement of social and economic conditions in Missouri communities. The department offers direct assistance to new and existing business and industry, communities and regions, interested citizens, and various organizations to help them achieve their objectives for economic development. The department's economic development groups are organized into the following areas:

Business Development Group

The Business Development Group helps businesses to experience growth in sales and increased investment in their operations. The Business Development Group is organized into five primary sections: Office of International Marketing, Office of Productivity, Office of Business Finance, Office of Minority Business, and Office of Business Information. The current director of the Business Development group is Dennis Roedemeier.

The Office of International Marketing assist Missouri businesses in increasing their international and domestic sales through its offices in Jefferson City, St.Louis, and Kansas City, Missouri; London, England; Duesseldorf, Germany; Tokyo, Japan; Seoul, Korea; Singapore; Bangkok, Thailand; Santiago, Chile; Sao Paulo, Brazil; and Guadalajara and Mexico City, Mexico.

The Office of Productivity provides resources that are designed to increase the efficiency, productivity and profitability of Missouri manufacturers through a series of state programs and networks with other organizations in Missouri, which assist manufacturers.

The Office of Business Finance administers programs to increase private investment in Missouri's small businesses, incubators, and research activities. The programs include state tax credits and Urban Enterprise loans.

The Office of Minority Business provides personalized counseling to minority and women-owned businesses in Missouri.

Business Expansion and Attraction Group

The Business Expansion and Attraction Group assist businesses in the retention and expansion of existing business and the attraction of businesses to Missouri. The Business Expansion and Attraction Group are organized into four primary sections: Business Attraction, Business Expansion, Incentives, and Missouri Film Office. The current director of the Business Expansion and Attraction group is Phil Tate.

The Business Attraction section markets the state and its communities as profitable sites for business location and expansion through international advertising, trade shows, trips to major industrial and business centers, direct mail, and telemarketing.

The staff of the Business Expansion section is located in Jefferson City and in regional offices throughout the state. This section works with existing Missouri companies and communities to retain and expand job opportunities and investment.

The Incentives section provides business financing and tax credit incentives to help businesses expand and locate in Missouri and help the state compete effectively with other states for locations and expansions.

The Missouri Film Office works with filmmakers to find suitable locations for shooting movies or commercials and acts as a liaison between film production companies and local communities.

Community Development Group

The Community Development group offers programs to promote community investment, planning and leadership development in Missouri communities and neighborhoods. The group offers these programs from locations in Jefferson City, Kansas City, St. Louis, Dexter, Moberly, Houston, Trenton and Springfield. The Community Development group is organized into two primary sections: Community Investment and Planning and Leadership Development. The current director of the Community Development group is Dianna P. Moore.

The Community Investment programs include the Community Development Block Grant, the Neighborhood Assistance Tax Credit, the Youth Opportunities and Violence Prevention, the Missouri Main Street, the Historic Preservation Tax Credit, and the Community Development Corporation.

The Community Development Block Grant program is designed to improve local communities by providing funds to develop suitable living environments and expand economic opportunities, principally for low- and moderate-income persons.

The Neighborhood Assistance Tax Credit program provides a tax credit incentive to encourage business participation in community development projects operated by not-for-profit organizations.

The Youth Opportunities and Violence Prevention program provides a tax credit program directed toward programs which are designed to prevent youth from engaging in violent behavior and enable youth to improve themselves through education, job training, and apprenticeship activities.

The Missouri Main Street program is a training program which helps community leaders to better understand how they can use various tools and their own knowledge to help revitalize their downtown areas.

The Historic Preservation Tax Credit program provides for a tax credit equal to 25 percent of the total costs and expenses incurred during the rehabilitation of a nationally designated historic property or property located in a historic district.

The Community Development Corporation program assists in the development of nonprofit organizations that promote the industrial, economic, entrepreneurial, commercial, and civic development of a community.

The Planning and Leadership Development Programs include the Missouri Community Betterment, the Rural Economic Assistance, and the Enterprise Zone.

The Missouri Community Betterment program is designed to increase community development efforts and economic growth by providing strategic planning technical assistance to those communities requesting help and incentives to promote meaningful and successful projects.

The Rural Economic Assistance program assist rural communities with grant programs that provides seed capital to initiate local economic development programs.

The Enterprise Zone program provides tax incentives for companies located in areas of the state which meet certain distressed criteria.

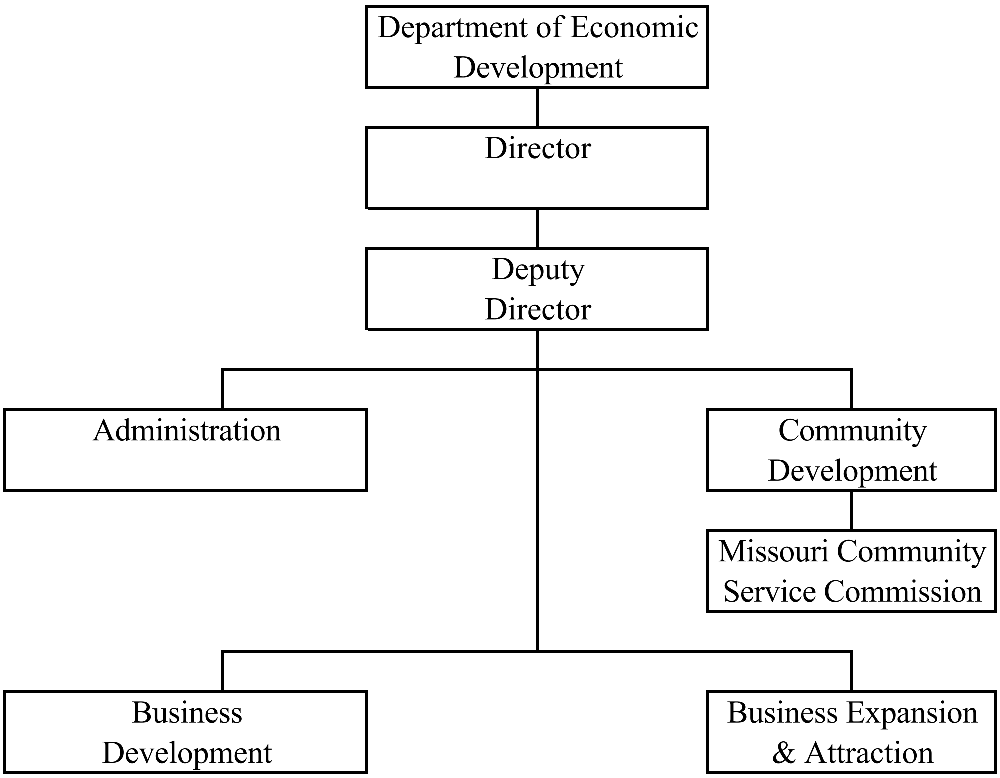
MISSOURI COMMUNITY SERVICE COMMISSION

The Missouri Community Service Commission was established by an act of the Missouri Legislature in 1994 as a direct response to the National Service Act of 1993. Its twenty-four members are appointed by the governor and meet quarterly across the state. Overseeing the AmeriCorps program is the commission's primary administrative responsibility. The Commissioners at June 30, 2000, were as follows:

Name	Term Expires*
Dr. Larry Dorrell, Chairperson	December 15, 2001
Dr. Mark Kenney	December 15, 2001
Robin Greger	December 15, 2001
Gwendolyn Swearingin	December 15, 2001
Betty Lou Cunningham	December 15, 2000
Marilyn E. Daffer	December 15, 2000
Ida Early	April 23, 2001
Amy L. Hilgemann	December 15, 2000
Walter L. Friedhofen	December 15, 1998
Cassandra Herrman	December 15, 2002
Rep. Craig Hosmer	August 3, 2001
Cheryl Maxwell	January 15, 2001
Betty R. Marver	December 15, 2000
Ida Goodwin Woolfolk	November 15,2001
Harry Kujath	December 15, 2000
Rep. Emmy McClelland	December 15, 2000
JoAnne F. Griffin	December 15, 2000
Donald Otto Jr.	December 15, 1997
Jolene Schulz	December 15, 2002
Gretchen Davis	December 15, 2002
Lt. Governor Roger Wilson	December 15, 2000**
Barbara Wolken	December 15, 2000
Deborah Swanegan	December 15, 2002
Jocelyn Osborne	December 15, 2002

*Commissioner serves until replaced or reappointed, regardless of term date.
**Lt. Governor Roger Wilson was replaced by Joe Maxwell on November 15, 2000.

DEPARTMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
ORGANIZATION CHART
JUNE 30, 2000



APPENDIX A-1

DEPARTMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS, AND MISSIOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

		Appropriations	Expenditures	Lapsed Balances	
GENERAL REVENUE FUND-STATE					
Missouri Works	$	751,671	726,896	24,775	
Administrative Services		262,925	251,223	11,702	
Business Development		2,868,650	2,708,855	159,795	
Community Development Corporations		1,966,018	706,842	1,259,176	
Administrative Services		2,235,930	2,202,867	33,063	
Community Development Corporations		591,915	93,426	498,489	(1)
Business Expansion		3,346,987	3,168,866	178,121	
Community Development Programs		1,696,795	1,498,547	198,248	
Missouri Community Service Commission		72,981	70,792	2,189	
Rural Development Grants		320,000	272,662	47,338	
Community Development Corporations		1,844,477	1,321,507	522,970	(1)
Total General Revenue Fund - State		15,958,349	13,022,483	2,935,866	
DEPARTMENT OF ECONOMIC DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT (PASS-THROUGH) FUND					
Community Development Programs		41,000,000	38,926,795	2,073,205	
Total Department of Economic Development - Community Development Block Grant (Pass-Through) Fund		41,000,000	38,926,795	2,073,205	
DEPARTMENT OF ECONOMIC DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT (ADMINISTRATION) FUND					
Administrative Services		51,737	33,727	18,010	
Business Expansion		70,654	19,754	50,900	
Community Development Programs		923,965	576,930	347,035	
Total Department of Economic Development - Community Development Block Grant (Administration) Fund		1,046,356	630,411	415,945	
DEPARTMENT OF ECONOMIC DEVELOPMENT - FEDERAL AND OTHER FUND					
Administrative Services		81,047	0	81,047	
Business Development		59,657	18,234	41,423	
Community Development Corporations		250,000	0	250,000	
Community Development Job Training		1	0	1	(1)
Business Expansion		45,389	18,234	27,155	
Community Development Programs		112,276	89,522	22,754	
Mid-America Manufacturing Technology Center		500,000	0	500,000	
Mid-America Manufacturing Technology Center		500,000	0	500,000	
Total Department of Economic Development - Federal and Other Fund		1,548,370	125,990	1,422,380	
DIVISION OF JOB DEVELOPMENT AND TRAINING FUND					
Administrative Services		5,159,466	3,380,976	1,778,490	
Total Division of Job Development and Training Fund		5,159,466	3,380,976	1,778,490	

APPENDIX A-1

DEPARTMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS, AND MISSIOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
MISSOURI TECHNOLOGY INVESTMENT FUND			
Business Development	1,950	0	1,950
Innovation Centers	974,640	958,500	16,140
Small Business Development	474,010	459,790	14,220
Centers for Advanced Technology	940,532	774,000	166,532
Mid-America Manufacturing Technology Center	2,170,000	2,121,197	48,803
Electronic Materials Applied Research Center	150,000	150,000	0
Total Missouri Technology Investment Fund	4,711,132	4,463,487	247,645
COMMUNITY SERVICE COMMISSION - FEDERAL AND AND OTHER FUND			
Missouri Community Services Commission	2,501,274	2,266,460	234,814
Total Community Service Commission - Federal and Other Fund	2,501,274	2,266,460	234,814
BUSINESS EXTENSION SERVICE TEAM FUND			
Entrepreneurial Development Activities	1,408,287	1,250,862	157,425
Business Extension Service Team Program	2,060,000	605,000	1,455,000
Total Business Extension Service Team Fund	3,468,287	1,855,862	1,612,425
DEPARTMENT OF ECONOMIC DEVELOPMENT ADMINISTRATIVE FUND			
Administrative Services	5,000	140	4,860
Business Development	109,249	56,435	52,814
Community Development Corporations	250,000	0	250,000
Administrative Services	2,846,014	1,489,167	1,356,847
Total Department of Economic Development Administrative Fund	3,210,263	1,545,742	1,664,521
INTERNATIONAL TRADE SHOW REVOLVING FUND			
Business Development	75,000	52,673	22,327
Total International Trade Show Revolving Fund	75,000	52,673	22,327
MISSOURI MAIN STREET PROGRAM FUND			
Community Development Program	100,000	90,000	10,000
Total Missouri Main Street Program Fund	100,000	90,000	10,000
YOUTH OPPORTUNITIES AND VIOLENCE PREVENTION FUND			
Youth Opportunities and Violence Prevention Program	250,000	0	250,000
Total Youth Opportunities and Violence Prevention Fund	250,000	0	250,000
PROPERTY REUSE FUND			
Brownfields Redevelopment Program	4,900,000	591,334	4,308,666
Total Property Reuse Fund	4,900,000	591,334	4,308,666

APPENDIX A-1

DEPARTMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS, AND MISSIOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
MISSOURI SUPPLEMENTAL TAX INCREMENT FINANCING FUND			
State TIF Program	3,017,380	439,298	2,578,082
Total Missouri Supplemental Tax Increment Financing Fund	3,017,380	439,298	2,578,082
Total All Funds	$ 86,945,877	67,391,511	19,554,366

(1) Biennial appropriations set up in the current fiscal year are re-appropriations to the next year. After the June month-end processing has been completed, the unexpended appropriation balance for a biennial appropriation is established in the new fiscal year. Therefore, there is no lapsed balance for a biennial appropriation at the end of the first year.

APPENDIX A-2

DEPARMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS, AND MISSIOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE			
General administration - Personal Service and/or Expense and Equipment	$ 2,425,631	2,232,376	193,255
Purchase of land for the extension of the north/south runway at the Lee's Summit Municipal Airport	150,000	150,000	0
Entrepreneurial Development Activities - Personal Service and/or Expense and Equipment	529,597	504,346	25,251
Business Development Activities Personal Service and/or Expense and Equipment	2,677,122	2,470,731	206,391
Business Development Activities- funding programs in response to changes in federal fiscal policies with regard to welfare reform	1,928,458	1,336,542	591,916
Business Attraction and Expansion Activities - Personal Service and/or Expense and Equipment	3,080,625	2,890,948	189,677
Community Development Activities - Personal Service and/or Expense and Equipment	1,111,421	1,085,847	25,574
Missouri Community Services Commission, all expenditures	72,981	70,772	2,209
Rural Development Grants	320,000	299,565	20,435
Business Development Activities- funding programs in response to changes in federal fiscal policies with regard to welfare reform	1,966,018	62,560	1,903,458
Total General Revenue Fund - State	14,261,853	11,103,687	3,158,166
DEPARTMENT OF ECONOMIC DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT (PASS-THROUGH) FUND			
Community Development Programs	35,000,000	29,976,153	5,023,847
Total Department of Economic Development - Community Development Block Grant (Pass-Through) Fund	35,000,000	29,976,153	5,023,847
DEPARTMENT OF ECONOMIC DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT (ADMINISTRATION) FUND			
General administration - Personal Service and/or Expense and Equipment	67,970	29,615	38,355
Business Attraction and Expansion Activities - Personal Service and/or Expense and Equipment	67,654	61,205	6,449
Community Development Activities - Personal Service and/or Expense and Equipment	902,623	599,010	303,613
Total Department of Economic Development - Community Development Block Grant (Administration) Fund	1,038,247	689,830	348,417
DEPARTMENT OF ECONOMIC DEVELOPMENT - FEDERAL AND OTHER FUND			
General administration - Personal Service and/or Expense and Equipment	43,973	38,582	5,391
Entrepreneurial Development Activities - Personal Service and/or Expense and Equipment	56,702	53,347	3,355
Business Development Activities- funding programs in response to changes in federal fiscal policies with regard to welfare reform	1	0	1

APPENDIX A-2

DEPARMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriations	Expenditures	Lapsed Balances
Business Attraction and Expansion Activities - Personal Service and/or Expense and Equipment	76,549	65,907	10,642
Community Development Activities - Personal Service and/or Expense and Equipment	109,740	67,030	42,710
Mid-America Manufacturing Technology Center, all expenditures	500,000	0	500,000
Mid-America Manufacturing Technology Center, all expenditures	500,000	0	500,000
Total Department of Economic Development - Federal and Other Fund	1,286,965	224,866	1,062,099
MISSOURI TECHNOLOGY INVESTMENT FUND			
Technology and Business Assistance Programs - Grants for economic development activities including Mid-America Manufacturing Technology Center, Innovation Centers, Centers for Advanced Technology and Small Business Development Center Satellites - Expense and Equipment	250,000	250,000	0
Entrepreneurial Development Activities - Personal Service and/or Expense and Equipment	974,640	962,860	11,780
Small Business Development Center Satellites	299,010	290,040	8,970
Business Development Activities Personal Service and/or Expense and Equipment	940,532	700,133	240,399
Mid-America Manufacturing Technology Center, all expenditures	1,800,000	1,769,259	30,741
Electronic Materials Applied Research Center	150,000	150,000	0
Total Missouri Technology Investment Fund	4,414,182	4,122,292	291,890
COMMUNITY SERVICE COMMISSION - FEDERAL AND OTHER FUND			
Missouri Community Services Commission, all expenditures	3,500,180	2,900,955	599,225
Total Community Service Commission - Federal and Other Fund	3,500,180	2,900,955	599,225
BUSINESS EXTENSION SERVICE TEAM FUND			
Loans and matching grants pursuant to Section 620.1023 RSMo and to rules and regulations promulgated by the Department of Economic Development, and subject to loans being made to businesses with the capacity of those businesses to pay back said loans	1,261,654	1,259,428	2,226
Business Extension Service Team Program	2,060,000	651,713	1,408,287
Total Business Extension Service Team Fund	3,321,654	1,911,141	1,410,513
DEPARTMENT OF ECONOMIC DEVELOPMENT ADMINISTRATIVE FUND			
General administration - Personal Service and/or Expense and Equipment	3,208,610	1,683,102	1,525,508
Entrepreneurial Development Activities - Personal Service and/or Expense and Equipment	53,605	0	53,605

APPENDIX A-2

DEPARMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS, AND MISSIOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

		Appropriations	Expenditures	Lapsed Balances
Business Development Activities- funding programs in response to changes in federal fiscal policies with regard to welfare reform		1	0	1
Business Development Activities- Personal Service and/or Expense and Equipment		52,907	49,621	3,286
Total Department of Economic Development Administrative Fund		3,315,123	1,732,723	1,582,400
INTERNATIONAL TRADE SHOW REVOLVING FUND				
Business Development Activities Personal Service and/or Expense and Equipment		75,000	19,688	55,312
Total International Trade Show Revolving Fund		75,000	19,688	55,312
MISSOURI MAIN STREET PROGRAM FUND				
Community Development Activities- Personal Service and/or Expense and Equipment		100,000	98,732	1,268
Total Missouri Main Street Program Fund		100,000	98,732	1,268
YOUTH OPPORTUNITIES AND VIOLENCE PREVENTION FUND				
Youth Opportunities and Violence Prevention Program		1	0	1
Total Youth Opportunities and Violence Prevention Fund		1	0	1
PROPERTY REUSE FUND				
Brownfields Redevelopment Program		4,900,000	1,303,666	3,596,334
Total Property Reuse Fund		4,900,000	1,303,666	3,596,334
MISSOURI SUPPLEMENTAL TAX INCREMENT FINANCING FUND				
State TIF Program		5,000,000	0	5,000,000
Total Missouri Supplemental Tax Increment Financing Fund		5,000,000	0	5,000,000
Total All Funds	$	76,213,205	54,083,733	22,129,472

APPENDIX B-1

DEPARTMENT OF ECONOMIC DEVELOPMENT
ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),
AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 2000

	Community Development Block Grant (Pass-Through) Fund	Community Development Block Grant Administration Fund	Department of Economic Development Federal & Other Fund	Missouri Community Service Commission Fund	Business Extension Service Team Fund	International Trade Show Revolving Fund	Property Reuse Fund	Total (Memorandum Only)
RECEIPTS								
Federal	$ 36,139,583	776,702	166,376	2,684,062	0	10,213	0	39,776,936
Cost reimbursements	2,778,022	7,352	49,264	82	0	0	1,100,000	3,934,720
Miscellaneous	0	0	0	0	0	45,031	0	45,031
Interest	0	0	0	0	0	0	184,427	184,427
Contributions / Intergovernment	0	0	0	100	0	0	0	100
Total Receipts	38,917,605	784,054	215,640	2,684,244	0	55,244	1,284,427	43,941,214
DISBURSEMENTS								
Personal service	0	476,295	87,791	22,955	0	0	0	587,041
Expense and equipment	0	163,252	33,412	138,517	0	40,496	0	375,677
Program	38,937,480	0	0	2,585,102	1,320,612	0	681,840	43,525,034
Total Disbursement	38,937,480	639,547	121,203	2,746,574	1,320,612	40,496	681,840	44,487,752
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING SOURCES	(19,875)	144,507	94,437	(62,330)	(1,320,612)	14,748	602,587	(546,538)
OTHER FINANCING SOURCES (USES)								
Transfers in	0	0	0	0	1,998,200	0	0	1,998,200
Transfers out	0	(136,204)	(28,206)	(6,609)	0	(1,138)	(4,302)	(176,459)
RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(19,875)	8,303	66,231	(68,939)	677,588	13,610	598,285	1,275,203
CASH AND INVESTMENTS, JULY 1	25,597	26,790	4,685	73,544	3,570,702	8,416	3,204,516	6,914,250
CASH AND INVESTMENTS, JUNE 30	$ 5,722	35,093	70,916	4,605	4,248,290	22,026	3,802,801	8,189,453

DEPARTMENT OF ECONOMIC DEVELOPMENT
ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),
AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 1999

	Community Development Block Grant (Pass-Through) Fund	Community Development Block Grant Administration Fund	Department of Economic Development Federal & Other Fund	Missouri Community Service Commission Fund	Business Extension Service Team Fund	International Trade Show Revolving Fund	Property Reuse Fund	Total (Memorandum Only)
RECEIPTS								
Federal	$ 24,981,736	822,387	252,724	2,289,757	0	0	0	28,346,604
Refund	4,215,230	12,055	0	4,148	109,000	0	0	4,340,433
Interest	0	0	0	0	0	0	188,312	188,312
Contributions / Intergovernment	0	0	0	0	0	23,907	0	23,907
Total Receipts	29,196,966	834,442	252,724	2,293,905	109,000	23,907	188,312	32,899,256
DISBURSEMENTS								
Personal service	0	534,122	192,439	19,694	0	0	0	746,255
Expense and equipment	0	162,024	33,897	211,076	0	19,688	0	426,685
Program	29,965,468	0	0	2,231,694	2,117,541	0	979,837	35,294,540
Total Disbursement	29,965,468	696,146	226,336	2,462,464	2,117,541	19,688	979,837	36,467,480
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING SOURCES	(768,502)	138,296	26,388	(168,559)	(2,008,541)	4,219	(791,525)	(3,568,224)
OTHER FINANCING SOURCES (USES)								
Transfers in	0	0	0	0	2,497,750	0	873,000	3,370,750
Transfers out	0	(140,708)	(50,607)	(5,521)	0	(3,925)	(4,951)	(205,712)
RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(768,502)	(2,412)	(24,219)	(174,080)	489,209	294	76,524	(403,186)
CASH AND INVESTMENTS, JULY 1	794,099	29,202	28,904	247,624	3,081,493	8,122	3,127,992	7,317,436
CASH AND INVESTMENTS, JUNE 30	$ 25,597	26,790	4,685	73,544	3,570,702	8,416	3,204,516	6,914,250

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