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Report Highlights

Louisiana Economic Development

Management Controls, Accuracy, and Reliability of Information Reported in the Unified Economic Development Budget

Audit Control # 40190017

Performance Audit Services • June 2020

Why We Conducted This Audit

Louisiana Revised Statute (R.S.) 51:935.1 requires the Legislative Auditor to conduct an annual performance audit to evaluate the management controls, accuracy, and reliability of the data reported for at least three economic development programs reported in the Louisiana Department of Economic Development's (LED) annual Unified Economic Development Budget Report (UEDBR). LED did not provide the LLA with the 2017 UEDBR until February 2019 and has not released the 2018 UEDBR report as of May 2020. In accordance with this mandate, we reviewed three programs from the 2017 UEDBR.

What We Found

We found that the information LED reported in the 2017 UEDBR was incomplete and contained some unreliable data elements. Specifically, we found the following:

- LED did not report the economic impact or the impact on state tax revenues for the three programs we reviewed in the 2017 UEDBR, as required by state law.** As a result, the state spent \$18.7 million on these three programs in fiscal year 2017 without knowing how much each program as a whole benefited the state's economy.
- Although data elements for two of the three programs we reviewed were reliable, LED only reported estimated numbers for the amount of associated payroll and capital investment data elements for the Retention and Modernization Tax Credit (R&M) program. According to state law, LED is required to report actual results if available.** LED did use actual amounts for all data elements for the Rapid Response Fund (RRF) and Mega Project Fund (MPF) programs, and these amounts were fully supported with documentation. LED stated it would reissue the 2017 UEDBR to show the actual numbers for all elements of the R&M program.

Example of Actual Versus Estimates for R&M Program
2017 UEDBR

Company	Estimated	Actual	Percent Difference
Company 1	\$295,000,000.00	\$116,383,246.55	-60.5%
Company 2	\$24,700,000.00	\$22,391,675.00	-9.3%

Source: Prepared by legislative auditor's staff using information obtained from LED.

- LED should consider using actual performance data to revise its initial forecasts in the UEDBR for the number of jobs, payroll amounts, and capital investments the company will make.** Using actual performance data from the companies would allow LED to improve the accuracy of the forecast amounts reported in the UEDBR. Because LED did not revise its forecasts using actual data, the numbers in the 2017 UEDBR for the RRF and MPF programs may be overstated or understated for the number of jobs created, as well as the amount of incentives to be paid in future years.