

**AUDIT COMMITTEE SUMMARY**  
**Audit of Economic Development Department – Economic Incentive Monitoring**  
Report Issued September 24, 2021

**Audit Objective**

Determine if management is monitoring incentive contracts for compliance and if management is clawing back incentives when incentive terms are not met.

**Background**

The City offers incentives such as loans, grants, and tax abatements to encourage capital investments, the creation and retention of jobs and growth and development of targeted areas of the City. In fiscal year 2020, the Economic Development Department (EDD) was responsible for monitoring approximately 70 EDD incentive contracts. Incentives, including grants, loans, and tax abatements, for the EDD contracts total over \$125 million. Recent recipients include companies such as Geekdom, Accenture, Navistar and Caplink.

**Scope & Methodology**

The audit scope included incentive contracts monitored between January 2019 and December 2020.

We interviewed staff to obtain an understanding of the monitoring process. Testing criteria included the EDD Monitoring and Compliance Standard Operating Procedure, respective Incentive Agreements and City Administrative Directives.

We assessed internal controls relevant to the audit objective. As part of our testing procedures, we examined the following areas:

- Communication between the Industry and Monitoring teams of EDD.
- Communication with companies receiving incentives regarding deliverables and compliance.
- Adequacy of support received from the respective companies and accuracy of the compliance status as of 6/30/2020 and 12/31/2020.
- Salesforce user access controls.
- Accuracy of taxes abated in calendar year 2020.
- Approvals of grant payments.
- Compliance resolution process, including recapturing funds and reducing abatements.

**Conclusions**

The Economic Development Department (EDD) has adequate controls in place that are operating effectively to ensure incentive contracts are monitored for compliance and appropriate actions are taken should incentive terms not be met.

Although the processes are operating effectively, the Monitoring and Compliance Standard Operating Procedures (SOP) do not provide enough detail and are outdated in

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certain areas. In addition, we also determined that although EDD is very thorough in monitoring compliance with incentive contract terms, the process of monitoring incentive contracts is manually intensive. Audit recommends EDD investigate the feasibility of using a system to standardize the type and format of support received from the respective companies to make the process more efficient.