



AUDIT REPORT: HIGH QUALITY JOBS PROGRAM (HQJP) AND THE GROW IOWA VALUES FUND (GIVF)

Audit Report. The Auditor of State released the FY 2004 – FY 2014 Audit Report for the High Quality Jobs Program (HQJP) and the Grow Iowa Values Fund (GIVF), administered by the Iowa Economic Development Authority (IEDA), on September 28, 2016. The Auditor reviewed the IEDA's administration of the programs to determine compliance with sections of the Iowa Code, the Iowa Administrative Code, and the IEDA policies and procedures.

The Audit Report provides a comprehensive look at how much state financial assistance the IEDA has awarded businesses, how much those companies invested in the projects themselves, how many jobs the businesses agreed to create or retain, and how many of those jobs have been created or retained. The Report used the FY 2014 IEDA Annual Report to review the programs. The Report did not address the merit of the programs. However, the Report did recommend that the IEDA improve on some reporting to provide more detail and summaries, and make sure large companies with multiple locations use an independent auditing service to verify job obligations met. The IEDA agreed to increase efforts to make sure large companies provide enough documentation and to use an independent auditing service if the job levels at each location could not be determined.

The Report also details several reporting errors that the Report indicates misleads the users of the IEDA Annual Report to believe funds have been collected back from the businesses by the IEDA when they have not been. The Report further found the IEDA reporting does not fully report the cost of creating and retaining jobs. The Report noted that the IEDA reporting does not include tax credits or local assistance.

Finding – Project File Maintenance:

The IEDA maintains project files for all financial assistance contracts entered into by the IEDA with businesses to demonstrate compliance with relevant laws, administrative rules, and the IEDA guidelines. The Auditor Recommended IEDA should ensure project files are maintained for each project awarded state financial assistance. The project files should contain all significant documents to allow a determination of compliance with relevant Iowa Code sections, administrative rules, and the IEDA guidelines.

The agency responded that the Compliance Team of the IEDA currently manages hundreds of financial assistance files ranging from small innovation platform awards to major financial incentives to businesses that create/retain jobs and make substantial investments in infrastructure. These files are sometimes touched by numerous staff within the administration division from accounting and finance, collections, front office, and the Compliance Team. Conceivably, files can on occasion be misplaced or misfiled. The IEDA will increase its diligence in this area to ensure proper handling and filing of all financial assistance awardee files. The IEDA's long-term goal is to have all files in an electronic format in addition to the paper file copies, which the IEDA has been implementing on awards made in the last five years. The misfiled items were awarded before this electronic back-up was put in place. The Auditor accepted the response.

Finding – Determination of Base Employment and Job Counting:

The IEDA has implemented written procedures which must be followed by the IEDA's contract compliance staff for determining contract compliance, base employment, and job verification. For a project involving more than two physical locations or involving more than 500 employees, the business must use an independent auditing service to set the business' employment base and provide payroll analysis. According to a representative of the IEDA, only two businesses have used an independent

auditing service to set their employment base and provide payroll analysis. After the first year of the project, both of those businesses worked with the IEDA to set the employment base and payroll analysis rather than using an independent auditing service. According to the IEDA staff, they do not require companies to use an independent auditing service because of the cost incurred by the business for this service. As a result, the IEDA is not in compliance with its administrative rules.

The Auditor recommended that IEDA staff should ensure they receive or request statewide payroll information in order to determine if jobs are being created and/or retained on a statewide basis. In addition, the IEDA should ensure companies with two or more locations or with more than 500 employees use an independent auditing service to verify the baseline employment and the jobs created and/or retained as required by the administrative rules.

The IEDA responded that the agency will increase its efforts to ensure that businesses with two or more locations within Iowa provide sufficient documentation which will enable the IEDA to determine and establish the base employment levels at each location. Independent auditing services will be utilized when IEDA is unable to make the determination. In addition, the IEDA will revisit this particular rule in order to provide discretion in requiring companies to use an independent accounting firm. The Auditor accepted the response.

Finding – Annual Report:

The Auditor reviewed the IEDA's annual reports for fiscal years 2013 and 2014 and selected 125 projects to determine if the IEDA reported projects in accordance with Iowa Code section [15.107B](#), and the administrative rules, and determined whether the IEDA correctly reported the selected projects' activity and project status. The Auditor recommended that the IEDA should consider revising the annual report format and clarify the content to improve transparency and accountability, and to facilitate evaluation of the success of the use of state financial assistance awarded to businesses for the purpose of creating and retaining jobs in the state.

The IEDA responded that the agency is currently participating in the development of a new application that will allow for greater flexibility in the standardization and clarification of each project's status and provide more options in regard to providing more categorical totals. The Auditor accepted the response.

Additional Information: The report is available [online](#). For additional information, please contact the Fiscal Services Division at the LSA.

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