



STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR

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## State Auditor Tom Salmon: Tax Department's processing of job-creation incentive claims is adequate, but could be improved

**MONTPELIER** – The Office of Vermont State Auditor Tom Salmon, CPA, today released its second required biennial audit of the Vermont Economic Growth Incentive Program (VEGI), which began in January 2007. “We looked at how well the Tax Department is processing claims for incentive payments, and found that **they are doing a good job with a complex program,**” Salmon said.

The VEGI program provides companies the opportunity to earn cash incentive payments if they meet annual job growth or capital investment targets that are approved by the Vermont Economic Progress Council (VEPC).

Targets for new jobs, payroll increases and capital improvements are established by a company at the time of application, based on its anticipated growth. To be eligible for an incentive, a company must maintain or increase base payroll, meet the payroll target and attain either of the targets set for job growth or capital investments established at the time of the company's application. Claims from participating companies are due at the Tax Department every year by Feb. 28 and information must detail job-creation efforts of the previous calendar year.

“Since the program is somewhat complex, we wanted to review whether or not the Tax Department has adequate controls and processes in place to ensure that the claims, payments and recoveries are accurate, complete and timely,” said Auditor Salmon.

Salmon said that auditors found that the **Department of Taxes did have adequate policies and procedures in place** to process claims appropriately. “We are suggesting that this good foundation can be improved by the addition of several written procedures and by improving supervisory review of claims processing and some key decisions by tax examiners,” Salmon said.

Auditors recommended that:

1. the Tax Department should develop and document procedures for addressing payment *recapture*, a process to recover incentive payments from a company when necessary;

2. the Tax Department should set criteria for how much validation is required to verify a company's claims of new jobs, pay levels, or capital investment; and
3. the Tax Department should improve supervisory review and documentation of significant judgments made by tax examiners before claims are approved.

The complete audit report is available at [www.auditor.vermont.gov](http://www.auditor.vermont.gov).

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