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January 2014

Performance Audit  
Recommendations and Corrective  
Actions for Audit: 09-5

DED and VEPC: Performance  
Measurement System Could be  
Improved

Dated: 09/14/2009

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# Overview

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The SAO makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities two and four years after the calendar year in which the audit report is issued (e.g., we followed up on recommendations contained in audit reports issued in calendar year 2008 in 2010 and 2012). Our annual performance reports summarize whether we are meeting our recommendation implementation targets.

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Act 155 (2012) required that we post on our website “a summary of significant recommendations arising out of the...audit reports... and the dates on which corrective actions were taken related to these recommendations. Recommendation follow-up shall be conducted at least biennially and for at least four years from the date of the audit report.”

This report addresses the requirements of Act 155 to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state’s financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our new contract for this work requires the contractor to provide the results of its recommendation follow-up in the future. Accordingly, we expect that future reports will contain this data.

| Audit No.,<br>Name & Date   | Rec<br># | Recommendation  | Follow-Up<br>Date | Status &<br>Date                      | Review Comments  |
|---|----------|---|-------------------|---------------------------------------|--|
| <a href="#">09-5 DED and VEPC: Performance Measurement System Could be Improved</a> | 1        | The Department of Economic Development (DED) should develop a written strategic plan based on the results of their internal planning process that clearly defines how the programs are to help the department achieve its objectives. | 12/29/2011        | Not Implemented                       | DED agrees with our recommendation, but has not completed a strategic plan that specifies goals and measures. State auditor of accounts and chief auditor have been in communication with the Agency Secretary regarding the its efforts to development a strategic plan. The information obtained from the Agency Secretary indicated that the plan is expected to be completed in the first quarter of CY12. |
|   |          |   | 12/18/2013        | Partially Implemented (no date given) | ACCD has begun the agency-wide strategic planning process which will be aligned with the state-wide economic development strategic plan (CEDDS). The expected completion date for both plans is second quarter of CY 2014.   |
|   | 2        | The Department of Economic Development (DED) should develop a mix of measures; specifically outcome and efficiency measures, in order to better assess how the activities of the programs contribute to Department goals.             | 12/29/2011        | Not Implemented                       | DED agrees with our recommendation, but has not completed a strategic plan that specifies goals and measures. State auditor of accounts and chief auditor have been in communication with the Agency Secretary regarding the its efforts to development a strategic plan. The information obtained from the Agency Secretary indicated that the plan is expected to be completed in the first quarter of CY12. |
|   |          |   | 12/18/2013        | Not Implemented                       | ACCD reported that performance measures will be included in both the agency and the state-wide strategic plans slated for completion by the end of the second quarter of CY 2014.  |
|   | 3        | The Department of Economic Development (DED) should define all measures in quantifiable form and establish numerical targets for all measures.  | 12/29/2011        | Not Implemented                       | DED agrees with our recommendation, but has not completed a strategic plan that specifies goals and measures.  |
|   |          |   | 12/18/2013        | Not Implemented                       | ACCD agrees with our recommendation but has not developed definitions and numerical targets for all performance measures. ACCD reported that definitions and numerical targets will be completed by the end of the second quarter of CY 2014.  |

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|--|----------|--|-------------------|-----------------------|---|
| <a href="#">09-5 DED and VEPC: Performance Measurement System Could be Improved 09/14/2009</a> | 4        | The Department of Economic Development (DED) should track actual results for each measure and compare actual results to numerical targets on at least an annual basis.   | 12/29/2011        | Not Implemented       | DED agrees with our recommendation, but has not completed a strategic plan that specifies goals and measures.   |
|  |          |  | 12/18/2013        | Not Implemented       | ACCD agrees with our recommendation and stated they will report and compare actual results to targets after the CEDS strategic planning process is completed at the end of the second quarter of CY 2014.   |
|  | 5        | The Department of Economic Development (DED) should require that all the sources and methods used to develop actual performance results be documented and that actual results be validated.  | 12/29/2011        | Not Implemented       | DED agrees with our recommendation, but has not completed a strategic plan that specifies goals and measures.   |
|  |          |  | 12/18/2013        | Not Implemented       | ACCD agrees with our recommendation and stated they will document all sources and methods used to develop actual performance results after the CEDS strategic planning process is completed at the end of the second quarter of CY 2014.                                      |
|  | 6        | The Department of Economic Development (DED) should include in its performance reports to the Legislature (1) explicit links between department goals, measures, and targets, (2) comparisons of results to targets and, if applicable, corrective actions that are planned if targets were not met, and (3) data limitations, when applicable. Also, DED should compile the information related to explicit links between the Vermont Economic Progress Council's goals, measures, and targets for inclusion in DED's report as required by 32 V.S.A. 307 | 12/29/2011        | Not Implemented       | DED agrees with our recommendation, but has not completed a strategic plan that specifies goals and measures.   |
|  |          |  | 12/18/2013        | Partially Implemented | ACCD has partially implemented this recommendation in their January 2013 Vermont Training Program report to the Legislature. ACCD reported that it's goal is to have all DED programs incorporated in the reporting which will be completed for the 2015 Legislative Session. |

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| <a href="#">09-5 DED and VEPC: Performance Measurement System Could be Improved 09/14/2009</a> | 7        | The Vermont Economic Progress Council (VEPC) should develop a strategic plan that is specific to how its programs contribute to achievement of its goals.  | 12/29/2011        | Implemented<br>12/16/2010 | VEPC provided a strategic plan specific to its agency that includes mission statements, goals, objectives and performance measures with benchmarks for the Council, as an organization, and for each of the two programs that the Council administers. The Council has a plan to review and update its strategic plan consistently and regularly. A review of the plan shows that goals are clearly laid out, with objectives related to the goals, methodology for accomplishing the goals and measures described with projected and actual results identified over a four year trend. |
|  | 8        | The Vermont Economic Progress Council (VEPC) should develop efficiency measures in order to gauge the efficient use of program resources.  | 12/29/2010        | Implemented<br>12/16/2010 | Efficiency measures were laid out for the two programs that VEPC administers - the Vermont Employment Growth Incentive and Tax Increment Financing programs. They were not identified for the council itself. However, the efficiency measures identified in the strategic plan are relative to the operation of the Council. For instance, the measures pertain to timeliness of reporting, customer satisfaction with process, budgetary cost per new qualifying job created, etc.  |
|  | 9        | The Vermont Economic Progress Council (VEPC) should establish targets for the Tax Increment Financing (TIF) measures and show how actual results compare to targets and/or to prior year results.  | 12/29/2011        | Implemented<br>10/1/2009  | The website for the TIF program shows that the reporting requirements for VEPC-approved TIFs include targets for the measures that will be reported by VEPC and include projected and actual results. Based on a reporting spreadsheet prepared by the Executive Director for a non-VEPC approved TIF (Winooski), the measures (targets) do not include projected data but do include actual results.   |
|  | 10       | The Vermont Economic Progress Council (VEPC) should define goals and strategies on its performance reports to the Legislature and include relevant narrative explanations such as when targets are not met or when data limitations exist. | 12/29/2010        | Implemented<br>12/16/2010 | VEPC provided the 2011 annual report for the Vermont Employment Growth Incentive (VEGI) program in which it reported performance measures for the program, including narrative descriptions of how the program operates to meet its goals; targets versus actual results; and discussion of potential cause for companies not meeting their targets.  |