

**DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT**  
***Performance Audit of Economic Development Programs***  
**Report Highlights**

While grant and loan files for the economic financing programs we reviewed were reasonably complete and in good order, we found processing delays and inconsistent follow-through on project close-out requirements. Additionally, DCED's programs still do not have good performance measures, and jobs are often double-counted because each program collects its own statistics.

***Key findings include:***

- **Timeliness.** Resolving delays in processing grants and loans is DCED's greatest administrative challenge. In some programs, it often takes six or more months to complete the paperwork. Delays in DCED attorney reviews appear to be a major factor. DCED has begun to contract with outside attorneys and plans to hire two more in-house attorneys.
- **Opportunity Grant (OG).** OG program guidelines need to be strengthened. Funding for this program was \$63 million in FY 00-01, making it one of DCED's largest economic development programs. We found, however, that local economic development agencies are often not consulted in OG decisions; that, unlike other programs, audits are not required of OG recipients; and DCED has not established a maximum grant award as required by law.
- **Jobs Created and Retained.** DCED's information on jobs created and retained, if collected at all, is typically self-reported by the company that received funds. New data collection efforts should begin providing meaningful information in 2001. We recommend DCED take steps to verify this data independently, at least on a sample basis. We also note DCED plans to correct the problem of double-counting jobs.
- **Local ED Agencies.** Many counties have 5 or more local economic development agencies. DCED has taken steps to reduce the inefficiencies caused by so many organizations, but it is still confusing for businesses.

We recommend, as have several other reports, that DCED take steps to streamline its economic development delivery system.

- **Compared to Other States.** At \$271.3 million, PA spends more on economic development than any state in the nation and, per capita, is fifth highest in the nation (\$22.59 per capita). While PA fares well on several measures of economic performance, we are well below the national average in job and wage growth.
- **Annual Financing Strategy.** In FY1999-00, DCED submitted an Annual Financing Strategy for its economic development financing programs that complied with several, but not all, of the requirements of Act 1996-67. For FY00-01, DCED failed to submit the Strategy at all.
- **Customized Job Training (CJT).** Demand for the CJT program is far greater than the funds available. As workforce development appears key to PA's future economic growth and the program received high marks from participants, we recommend DCED increase its request for CJT funds.
- **PA Industrial Development Agency (PIDA).** PIDA was created to reduce unemployment in areas of the state facing critical economic problems. Only 20% of PIDA loans, however, go to counties with high unemployment. We recommend PIDA be more aggressive in making loans to firms in counties with high unemployment.

