

Digest of A Survey of Management Controls in The Governor's Office of Economic Development

**Economic
Development
Restructured and
Relocated to
Governor's Office**

In accordance with a statutory directive, we conducted a limited-scope review of the recently created Governor's Office of Economic Development (GOED) to assess whether management controls are being instituted. GOED has formally existed since July 1, 2005. As we conducted our survey, GOED's reorganization was well underway, with changes to its organizational structure being implemented and new or revised program activities being developed. Overall, we believe that much progress has been made. For example, GOED's divisions of Business and Economic Development (DBED) and Office of Tourism and Film have vision and mission statements in place; however, some management controls are still in process and little actual performance data are available as of yet. Furthermore, any data that are available would only represent performance over a fairly limited time span.

Scope and Objectives. This survey is not a traditional performance audit, which looks at an organization's past performance to evaluate efficiency and effectiveness or address concerns raised by a requester. Instead, we performed a limited-scope review at the onset of agency operations to determine whether management and financial controls were being put in place at GOED as the organization geared up. Assessed controls include organizational structure and governance, strategic planning, policies and procedures, performance standards, and financial controls.

**Some
Administrative
Controls Need
Strengthening**

Some Administrative Controls Can Be Improved. We reviewed office-wide administrative controls as well as controls in the two divisions. The report section on agency-wide controls includes information on a change in options for legislative oversight, the lack of long-term administrative support for GOED, the need for formalized agency-specific policies and procedures, and the need to strengthen some budgetary and financial controls.

**Economic
Development
Division Still
“Developing”**

Management Controls in the Division of Business and Economic Development Are in Process. Changes to the organization’s structure have been made and many staff are new to government. We found that strategic planning is in process but the issue of sustainability needs to be addressed, performance standards need to be refined, and the division’s financial controls over contracts will need to be reviewed in the future. In addition, the division’s request for a large budget increase for the next fiscal year is unsupported by performance data since such data are not yet available.

**Changes in
Tourism Include a
Large Funding
Increase**

We Focused on Tourism’s Management Controls Because of the Large Funding Increase. In the Office of Tourism and Film, the tourism program is being reorganized and has seen staffing changes. The film program remains largely unchanged. We found that a new organizational structure is in place for tourism, its strategic plan is being rewritten, and policies and procedures are in process. There are performance standards and financial controls included in the major contracts recently put in place for tourism marketing, cooperative marketing with local entities, and a sports promotion organization. We have not yet reviewed the effectiveness of these controls.

Postponing Full Audit Would Allow GOED to Compile Performance Data. GOED has made significant progress in restructuring and initiating programs. However, a number of management control areas still need to be addressed. With a full performance audit mandated to begin in just under three months (March 2006), GOED would be unable to provide sufficient data for the typical in-depth audit we conduct. In our opinion, it would be to GOED’s benefit, and would also allow a more meaningful audit, if more time were given for completion of both the reorganization and the implementation of necessary management controls. A postponement would likely mean that a report on the full audit would not be available for the 2007 General Session of the Legislature. Our recommendations are found below.

1. We recommend that GOED continue to implement management controls outlined in this preliminary review in preparation for a full legislative performance audit.
2. We recommend that the Legislature amend the uncodified language in HB 318, sect. 169 (2005 General Session) to postpone the GOED performance audit’s starting date until adequate performance data are available, which may be a year or more.