

## **Digest of A Performance Audit of the Governor's Office of Economic Development**

The Governor's Office of Economic Development (GOED) has made significant progress since December 2005 when our first report was issued, even while the agency was undergoing additional organizational changes. For several reasons, we believe that GOED is heading in the right direction as the state's economic development agency. In addition, GOED has been working on strategic planning and has developed high-level performance measures as part of the Governor's Balanced Scorecard (BSC) initiative. However, improvements are needed in some areas of GOED's strategic planning and program performance measurement.

### **Legislative Auditor General's First Review of GOED Identified Some Concerns**

**First Review of GOED (December 2005) Identified Areas Needing Improvement.** Our initial review identified and made recommendations on areas for improvement, summarized in the list below:

- A lack of adequate administrative support positions
- Use of onetime funds for ongoing salary expenses
- Need for formal administrative policies and procedures
- Question of how GOED would sustain initiatives when directors returned to private sector jobs
- Question of adequate oversight of corporate recruitment and tourism promotion contracts
- Completion of strategic planning, including performance metrics
- Justification and documentation of large staff performance awards

The majority of these concerns have been addressed since our report was issued; information on both improvements and some concerns still needing attention is included in this second report.

### **Indicators Show That GOED Is Headed in the Right Direction**

**GOED Has Made Significant Progress as Shown by Three Indicators.** We believe that GOED is headed in a positive direction and has made significant progress in several areas since our December 2005 report. The full report discusses these indicators of positive progress:

- GOED's executive director addressed most of the administrative and program concerns raised in our preliminary report.

- GOED appears to be focused on appropriate economic development areas when compared to other states' programs.
- Qualitative feedback from businesses indicates that GOED programs are providing valuable services.

Though these indicators provide a comfort level about GOED's direction, they fall short of the quantitative evidence we normally review. However, we note that quantitative economic development outcome indicators may take longer than a year to become evident.

**Strategic Planning Needs to Be Finalized**

**Some Economic Development (ED) Strategic Plans Lack Quantified, Time-Limited Objectives.** GOED has been developing strategic plans for individual programs as well as an overall corporate recruitment strategy. However, we found that several programs in the ED area should quantify objectives and set time frames for accomplishing them. While higher level concepts are in place, the details of some plans still need to be clarified.

**Plans Should Be Written and Submitted for Management Review and Approval.** ED should formalize its strategic plans by committing them to writing and getting management's approval. The resulting formal plans would not only clearly state goals to aim for and lay out a plan of action, but also increase the likelihood that staff and other interested parties have a common understanding of program purpose and direction. Further, central review and approval ensures that programs are aligned to support overall mission accomplishment.

**Others' Plans Show How Details Define a Plan of Action.** As it refines program plans, ED has a resource in the Office of Tourism's strategic plan, which serves as an example of a detailed, quantified plan. Four nearby states' plans also include quantified goals and objectives. Strategic plans for economic development in these states identify specific goals, usually quantify objectives, and frequently list action steps designed to accomplish the goals and objectives within a set time frame.

**New Performance Measurement Tool Can Be Improved**

**GOED's Balanced Scorecard Performance Measurement Tool Should Focus on Critical Performance Indicators.** GOED should reassess its data for the recently developed BSCs to ensure that the most relevant measures have been included so the scorecards function as meaningful high-level summaries of program status. Review of the BSCs we received found that some lacked data, listed measures that had little clear relationship to the stated goal, or measured tasks rather than

outcomes. Although further work is needed, the initial development of BSCs represents progress made since our preliminary review.

**Programs Should Obtain and Verify Quantified Performance Data.**

Wherever possible, program directors should research and adopt methods to assess program performance using objective, verifiable data. Three GOED programs we reviewed currently use self-reported survey responses, inflexible formulas, and unverified or aggregated job data to determine the number of jobs created by their efforts. While these less precise methods of assessment have value, a better approach is to identify and obtain quantifiable measures of success and verify their accuracy.

**Recommendations**

1. We recommend that GOED's executive director ensure that managing directors provide documentation of employee performance awards as required in the new policy.
2. We recommend that GOED finalize its strategic plans as follows:
  - Include quantified, time-limited objectives
  - Formalize plans in writing
  - Submit plans for management review and approval
3. We recommend that GOED reassess the performance metrics listed in BSCs to ensure that the critical indicators of program success are included. GOED should:
  - use critical outcome-related measures, emphasizing quantitative
  - include targets for performance
  - specify time frames for completion
  - consider including short- and long-term performance comparisons
  - use actual data, not estimated or projected data
  - use reliable, verified data
4. We recommend that GOED staff ensure that, when possible, job creation data obtained from clients or customers are verified from independent sources, such as the Department of Workforce Services or the Utah Tax Commission.
5. We recommend that GOED and its board review IAF policy and procedure to clarify the following:
  - requirement to use verifiable county wage data
  - use of consistent job verification reports
  - whether additional contract language is needed to limit how long a qualifying position can be vacant between incumbents