

Rep. Kerkman: Audit again recommends WEDC revise procedures

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MADISON – Today, the nonpartisan Legislative Audit Bureau (LAB) released its second annual evaluation of the Wisconsin Economic Development Corporation's (WEDC's) process for verifying information submitted by recipients of tax credits allocated under the Electronics and Information Technology Manufacturing Zone program (report 19-27). Beginning in 2018, statutes require LAB to complete such an evaluation annually for five years.

Under the program, WEDC executed a contract with Foxconn to create jobs and make capital investments over the 15-year period from January 2018 through December 2032. WEDC's contract stipulates that WEDC could first award program tax credits in 2019, based on the jobs Foxconn created in 2018. In 2019, WEDC did not award any program tax credits because Foxconn did not create the contractually specified minimum number of jobs in 2018.

LAB found WEDC's written procedures continue to allow WEDC to award program tax credits for the wages paid to employees for services not performed in Wisconsin. LAB recommends that WEDC revise its procedures to ensure compliance with statutes and its contract.

"While the written procedures were changed to attempt to address the finding in the 2018 report, the change doesn't accurately reflect the statutory requirement. I hope that in WEDC's next follow-up that their written procedures will explicitly require it to award credits for only wages paid for services performed in Wisconsin," said Senator Cowles (R-Green Bay).

LAB also recommends WEDC comply with its contract when calculating the amount of wages that are eligible for program tax credits, not award program tax credits unless the certified public accountant (CPA) firm hired and paid for by Foxconn uses procedures that WEDC approves in writing, and award program tax credits for only capital investments made in the zone.

“I am encouraged by WEDC’s commitment to make the necessary corrections for the CPA firm review of Foxconn reporting including the location of capital expenditure,” said Representative Samantha Kerkman (R-Salem Lakes). “However, the WEDC response suggests they have discretion in how to award job tax credits where they do not; WEDC must follow statutory and contract language when it verifies information submitted by Foxconn and when it verifies the amount of program tax credits to award.”

Copies of report 19-27 may be obtained from LAB’s website at www.legis.wisconsin.gov/lab or by calling (608) 266-2818. Report concerns related to state government activities to LAB by calling the toll-free hotline at 1-877-FRAUD-17.