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Office of the Auditor General

Report Summary

Performance Audit
Michigan Business Development Program
(MBDP)
Michigan Strategic Fund (MSF)
Department of Talent and Economic
Development

Report Number:
186-0500-17

Released:
January 2019

Public Act 250 of 2011 created MBDP to provide grants, loans, and other economic assistance to qualified businesses that make investments or provide qualified new jobs (QNJ) in Michigan. MBDP is administered by MSF, in conjunction with the Michigan Economic Development Corporation. From December 13, 2011 through May 8, 2017, MSF allocated \$399.2 million to MBDP, of which \$163.8 million was expended; \$223.0 million was committed to existing MBDP projects; and \$12.5 million remained available to fund additional MBDP projects. From October 1, 2014 through June 30, 2017, MSF entered into 196 MBDP project agreements.

Audit Objective			Conclusion
Objective #1: To assess the sufficiency of MSF's process for awarding MBDP projects.			Sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	

Audit Objective			Conclusion
Objective #2: To assess the effectiveness of MSF's efforts to monitor MBDP project agreement compliance.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MSF could improve its verification process to help ensure that businesses created and maintained the required QNJs. MSF could not verify QNJs to independent sources, did not validate QNJ achievements through the term of the grant, and did not have sufficient documentation to support 6% of the QNJs that we reviewed (<u>Finding #1</u>).		X	Disagrees

Audit Objective			Conclusion
Objective #3: To assess MSF's compliance with MBDP statutory reporting requirements.			Complied, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MSF did not properly report all annually required information, including overstating the aggregate projected return on investment (ROI) for fiscal year 2016 by 30% (<u>Finding #2</u>).		X	Partially agrees

Audit Objective			Conclusion
Objective #4: To assess the sufficiency of MSF's efforts to evaluate MBDP's economic development outcomes.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MSF should improve its efforts to evaluate the economic impacts of MBDP. MSF expended \$161.2 million and committed an additional \$219.4 million for over 300 projects from fiscal year 2012 through March 2017, and it had not determined the actual ROI as a measure of the overall benefit to the State (<u>Finding #3</u>).		X	Disagrees

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