

LIMITED-SCOPE AUDIT PROPOSAL

Evaluating Whether the Department of Commerce's Economic Development Transparency Database Includes the Required Information

SOURCE

This audit was requested by Senator Mike Thompson, Representative Sean Tarwater, Senator Caryn Tyson, and Representative Kristey Williams.

BACKGROUND

In 2019, the Kansas Legislature created a series of laws to improve the evaluation and transparency of certain economic development and tax incentives. Among them, K.S.A. 74-50,227 requires the Department of Commerce to maintain an online database with information about select incentives. The database is called the transparency database.

State law requires the transparency database to include programs administered by the Department of Commerce as well as certain income tax credits, local property tax exemptions, and economic development funds such as EDIF. The department is required to provide information on these incentives so long as they provide more than \$50,000 in annual incentives. There are exceptions for confidential information, such as individual taxpayer records.

The transparency database must include, or provide a link to, the following information for each incentive:

- User information such as the names and addresses of incentive recipients, the amount of incentives they were awarded (total) and received (annually), and the required benchmarks for receiving those funds.
- Descriptive information about each incentive such as its purpose or goals, return on investment, and compliance rate.
- Annual data about each incentive such as the total amount distributed by recipient, county, and program.

Legislators have expressed concern that the transparency database does not include all the required information.

AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

The audit objectives listed below are the questions we would answer through our audit work. The steps listed for each objective convey the type of work we would do. These may change as we learn more about the audit issues.

Objective 1: Does the Department of Commerce's economic development transparency database include the information required by state law? Our tentative methodology would include the following:

- Review state law to identify the incentives and information the department is required to include in the transparency database.
- Review a small number of entries for each program in the transparency database to determine if it includes the required incentive programs and the required underlying information. This would include information about users, program descriptions, and annual data.
- Talk to department staff about any missing incentive programs or information to understand why it's not included in the transparency database or their reasons for providing that information in a different location.

ESTIMATED RESOURCES

We estimate this audit would require 100 staff hours to complete.