



## STATE OF WASHINGTON

October 1, 2014

The Honorable Troy Kelley  
Washington State Auditor  
P.O. Box 40021  
Olympia, WA 98504-0021

Dear Auditor Kelley:

Thank you for the opportunity to review and respond to the State Auditor's Office (SAO) performance audit report on "*Performance Measures in Economic Development Programs: Opportunities to enhance transparency and improve processes.*"

The Department of Commerce (Commerce) appreciates the SAO's balanced and thorough review of a complex issue. The report acknowledges Commerce's efforts to follow the Legislature's intent in providing assistance to the Associate Development Organizations (ADOs). Commerce concurs with the conclusions and recommendations in the report, and we value the input offered.

We appreciate that SAO auditors recognized the difficulty of isolating ADO program impacts. Business owners consider many factors when making business decisions and few of those are controlled by Commerce. While the statute contains vague but prescriptive language, Commerce continues to seek ways to implement and measure the program. We look forward to working with the Legislature to provide clarity and measures that demonstrate the effectiveness of ADO program activities.

Sincerely,

Brian Bonlender, Director  
Department of Commerce

David Schumacher, Director  
Office of Financial Management

cc: Joby Shimomura, Chief of Staff, Office of the Governor  
Kelly Wicker, Deputy Chief of Staff, Office of the Governor  
Miguel Pérez-Gibson, Executive Director of Legislative Affairs, Office of the Governor  
Kelly Ogilvie, Senior Policy Advisor, Executive Policy Office  
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# OFFICIAL STATE CABINET AGENCY RESPONSE TO THE PERFORMANCE AUDIT ON ECONOMIC DEVELOPMENT PROGRAMS: OPPORTUNITIES TO ENHANCE TRANSPARENCY AND IMPROVE PROCESSES – SEPTEMBER 30, 2014

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This coordinated management response to the State Auditor’s Office (SAO) performance audit report received on September 16, 2014, is provided by the Department of Commerce (Commerce) and the Office of Financial Management (OFM).

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## **SAO PERFORMANCE AUDIT OBJECTIVES:**

The Legislature wants to know if money directed toward economic development has the desired impact. Commerce is required by statute to maintain a system of performance measures focused on Associate Development Organizations (ADO) outcomes, especially job creation and capital investment, which are widely used metrics for economic development. The SAO sought to answer:

1. Is it technically feasible to isolate the ADO’s impact on economic outcomes?
  2. Are the performance measurement practices used by the Department of Commerce to manage ADO contracts aligned with statutory intent?
  3. Are the performance measurement practices used by the Department of Commerce to manage ADO contracts aligned with leading practices?
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**SAO Issue 1:** Commerce cannot measure ADO impact.

**SAO Issue 2:** The performance measurement system is not working as intended.

**SAO Issue 3:** The performance measurement system is partially aligned with leading practices.

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**SAO Recommendation 1:** The Legislature establish clear goals for the program in consultation with Commerce and ADOs.

**STATE RESPONSE:** As the Legislature reviews the program, Commerce will provide input and observations as requested.

### **Action Steps and Time Frame**

- None applicable. *Dependent upon legislative action.*
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**SAO Recommendation 2:** The Legislature reform reporting requirements for both Commerce and the ADO program.

**STATE RESPONSE:** As the Legislature reviews the program, Commerce will provide input and observations as requested.

### **Action Steps and Time Frame**

- None applicable. *Dependent upon legislative action.*

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**SAO Recommendation 3:** Commerce and ADOs improve performance measures based on clarified program goals.

- Reduce the number of measures, using only those that best communicate how well ADOs are doing.
- Develop measures that communicate about ADO progress by measuring efficiency and quality of work as well as program processes and outputs.
- Balance the need for consistency of measures across ADOs with the varied range of services ADOs deliver.

**STATE RESPONSE:** Commerce concurs with the recommendations. Reducing the number of measures will be dependent upon clarification of goals directed by the Legislature. We will use the experience we gained to help craft a streamlined set of performance measures once we understand legislative goals.

The report highlights the need for performance measures to be consistent statewide to provide the Legislature with effective, comparative data. Commerce recognizes that numbers alone do not effectively communicate the entire range of ADO accomplishments. Examples associated with the successes and trials of implementing economic development strategies will be included in Commerce's next legislative report due in December 2016.

**Action Steps and Time Frame**

- Upon the completion of legislative clarification of the program's goals, Commerce will implement the recommendations. *Dependent upon legislative action.*
  - Examples associated with the successes and trials of implementing economic development strategies will be included in Commerce's next legislative report. *By December 31, 2016.*
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