Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
Bureau of State and Federal Audits

"With money scarce in these difficult budgetary times, state leaders must invest tax dollars prudently and be able to provide concrete data assuring taxpayers that these economic development dollars are being well-spent."

Jack Wagner,
Auditor General

Findings Include:

- ✓ DCED failed to adequately monitor Job performance of MELF recipients
- ✓ DCED failed to adequately enforce job creation requirements involving MELF funds

A SPECIAL PERFORMANCE AUDIT OF THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

MACHINERY AND EQUIPMENT LOAN FUND

December 2012

December 6, 2012

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Room 225 Main Capitol Building
Harrisburg, PA 17120

Dear Governor Corbett:

This report contains the results of the Department of the Auditor General's special performance audit of the Machinery and Equipment Loan Fund (MELF) administered by the Pennsylvania Department of Community and Economic Development (DCED) for the period July 1, 2006 through June 30, 2011, including follow-up procedures performed and concluded as of July 24, 2012. The audit was conducted pursuant to Sections 402 and 403 of the Fiscal Code and in accordance with generally accepted government auditing standards (GAGAS). The aforementioned standards, issued by the Comptroller General of the United States, require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We performed our audit to determine whether DCED approves loans to applicants in accordance with applicable law, regulation, and policy. Moreover, we wanted to determine whether DCED adequately monitors the loan recipients to ensure the required number of jobs created and/or retained is achieved and the loan is repaid in accordance with the loan agreement.

We found that DCED failed to adequately monitor job performance of MELF recipients. DCED acknowledged that it does not verify the accuracy of the company's self-reported number of jobs retained/created. Furthermore, DCED limits its monitoring of job performance to one specific date.

In addition, we also found that DCED failed to adequately enforce job creation requirements involving MELF funds. Our auditors tested 20 companies with MELF loan disbursements totaling over $61.7 million to verify if the number of full-time jobs created and/or retained was in accordance with the number of full-time jobs required to be created and/or retained per regulations. Consequently, we found 8 companies – or 40 percent – did not pledge to create and/or retain enough total jobs to satisfy the requirements of each DCED program that provided funding to the company.

We offer six recommendations to alleviate identified deficiencies and strengthen DCED’s policies, controls, and oversight of MELF.

We will follow up at the appropriate time to determine whether and to what extent all recommendations have been implemented.

Sincerely,

JACK WAGNER
Auditor General

TABLE OF CONTENTS

Inadequate Monitoring of Job Performance and Inadequate Enforcement of Job Creation Requirements Identified in the Administration of MELF

The purpose of this report is to communicate the results of our special performance audit of the Pennsylvania Department of Community and Economic Development (DCED) and the way in which it administers the Machinery and Equipment Loan Fund (MELF) within the Commonwealth. The period under audit was July 1, 2006 through June 30, 2011, including follow-up procedures that were performed and concluded as of July 24, 2012.

Our audit revealed weaknesses within MELF. Specifically, our auditors have determined that identified weaknesses include:

- ✓ DCED failed to adequately monitor job performance of MELF recipients; and
- ✓ DCED failed to adequately enforce job creation requirements involving MELF funds.

We provide several recommendations to alleviate identified deficiencies and strengthen DCED's policies, controls, and oversight of MELF.

Machinery and Equipment Loan Fund

The Machinery and Equipment Loan Fund (MELF), which is administered by the Department of Community and Economic Development (DCED), is designed to stimulate the growth and assist in the retention of Pennsylvania businesses. MELF provides low-interest loans to eligible businesses that commit to creating or retaining jobs within the Commonwealth.

MELF receives an annual appropriation from the state as well as revenues from loan commitment fees, penalty charges, interest, and principal repayments. A loan commitment fee is a non-refundable fee of 1% of the approved loan amount, not to exceed $10,000, paid by the company after the loan is approved.

Program guidelines define eligible applicants as for-profit business enterprises or medical facilities whose project is or will be located within Pennsylvania. In addition, an applicant must engage in one of more of the following activities at the project site: manufacturing, industrial processes, mining, production agriculture, information technology, biotechnology, services as a medical facility, or other industrial or technology sectors as defined by the Secretary of DCED.

MELF financing is available to eligible applicants that are acquiring and installing new or used machinery and equipment that is directly related to the business process. Financing is also available to eligible businesses to upgrade existing machinery and equipment that is directly related to the business process.

DCED considers the following criteria when evaluating an application:

- ✓ Job creation and retention;
- ✓ Job quality;
- ✓ Geographic impact of the project;
- ✓ Impact on state competitiveness;
- ✓ Investment leveraging; and
- ✓ Increase in productivity.

The maximum loan amount is $5 million or 50 percent of the total eligible project costs, whichever is less. Loans are made in conjunction with another source or sources of financing for the eligible costs incurred; the funds from other sources must equal at least 50 percent of eligible project costs. Except for loans to agriculture producers and to medical facilities, for each $25,000 of loan proceeds, at least one full-time job must be created or retained at the project site within three years after the MELF loan has closed.

Source: DCED Program Guidelines, March 2010

Finding No. 1 – DCED Failed to Adequately Monitor Job Performance of MELF Recipients

According to law, each MELF loan must create or retain one full-time job for each $25,000 of loan proceeds within three years of disbursement of funds.[1] As a result, three years after the closing date of the loan, DCED's Performance Monitoring Division (PMD) obtains from the company the number of jobs created and retained related to the MELF loan project. The company is required to complete a Project Update Report (PUR) form, which consists of a line to enter the total number of full-time employees at the project site and the average wage of those employees as of a specific monitoring date. An officer of the company signs the form attesting that the information provided is true and correct.

The PMD analyst compares the number of jobs pledged to be retained/created per the original loan agreement to the total number of full-time jobs the company lists on the PUR. If the company meets the pledged job total, DCED does not monitor job performance for the remaining life of the MELF loan, which is a maximum of ten years. If the company does not meet the pledged job total, DCED may offer an extension to achieve the pledged job total or penalize the company by increasing its loan interest rate.

For the period July 1, 2006 through June 30, 2011, PMD was required to perform its three-year job performance monitoring on 82 loans. Of these 82 loans, we reviewed 20 to determine if DCED monitored MELF job performance. Of the 20, 12 were monitored by DCED and 8 were not. The 8 companies not monitored was due to 4 going out of business and 4 paying off their MELF loans prior to the three-year monitoring requirement. Based on our testwork and interviews conducted with DCED, we found several weaknesses in DCED's monitoring of MELF loan job performance, including the following:

<u>DCED limits its monitoring of MELF job performance to one specific date</u>

Other than DCED requesting the company to self-report the number of jobs retained/created three years after the closing date of the loan, DCED stated that it does not monitor job performance other than that date because the law does not require it.

This specific-date-only monitoring could allow a company to temporarily hire full-time employees right before the date to inflate the self-reported job total on the PUR form in order to comply with the requirements and then terminate the employees shortly thereafter.

Monitoring throughout the life of the loan would allow DCED to assess the long-term economic impact the MELF loan had on jobs. One mechanism that DCED already has in place would be to obtain annual job information, which is discussed in the next session.

[1] 12 Pa.C.S. § 2905(a)(1)(iv); 12 Pa. Code § 71.4(e).

<u>DCED does not obtain annual job information from the company as required by the loan agreement</u>

The standard MELF loan agreement states that the borrower will annually provide DCED with a certificate executed by an authorized officer setting forth the number of employees employed by the borrower during the previous year. DCED does not obtain this information from the companies on an annual basis. DCED management stated that the section within the loan agreement is intended to be an option and not a requirement. However, obtaining the annual certificate could be useful to monitor the job performance for the term of the loan.

<u>DCED does not verify the accuracy of the company's self-reported number of jobs retained/created</u>

According to DCED, the PMD analyst does not verify the accuracy of the number of jobs retained/created, which is self-reported by the company on the PUR form, because having a company official sign and attest to the accuracy of the job total is sufficient. We disagree. Given that the main reason to provide MELF funds to companies is to stimulate economic growth and to assist in the retention of Pennsylvania companies, it is critical that DCED validate the number of jobs self-reported by the company. Failure by DCED to verify the self-reported number would allow a company that did not achieve its jobs pledged total to go undetected, and therefore may not be subject to penalties in the form of increased interest rates. Furthermore, the law states that authorized DCED employees may inspect the plant, books, and records of the company applying for or receiving MELF funds.[2] Therefore, obtaining support from the company to verify the number of jobs created/retained is within DCED's legal authority and a prudent method to monitor jobs.

<u>DCED does not perform any job performance monitoring if the MELF loan is paid off prior to the three-year monitoring date</u>

If a company pays off its MELF loan before the three-year period has passed, PMD does not conduct any job performance monitoring. PMD management stated that if the loan is paid off, the company's commitment to DCED has been fulfilled and no performance monitoring is necessary. However, the MELF loan agreement states that all loan covenants shall remain in effect until the loan is entirely paid and all of the obligations of the borrower have been entirely satisfied. If the company has not created/retained the amount of full-time jobs as prescribed in the loan agreement, then the obligations of the company have not been satisfied. The purpose of the MELF program is to stimulate the growth and to assist in the retention of Commonwealth businesses. Without DCED ensuring that the company meets its commitment to retain and/or create the number of jobs required in the loan agreement, the purpose of the MELF program may not be achieved.

[2] 12 Pa.C.S. § 2908(a).

Good business practice dictates that key information that is significant to the loan application requirements should be verified for accuracy. One of the main purposes of the loan is to promote the economic growth of the Commonwealth through increasing employment. If the number of full-time employees reported by the company is inaccurate, the performance results of the loan will also be inaccurate. Consequently, DCED cannot validate whether the MELF program has been successful.

Recommendations:

We recommend that DCED:

1. Verify that the number of jobs created/retained that is self-reported on the PUR form is accurate by obtaining support documentation from the company;

2. Ensure that every company that received MELF funds is monitored for job retention/creation even if the loan is paid off early; and

3. Implement additional job monitoring of MELF loans that covers the term of the loan, including utilizing the annual certificate.

Agency Response:

DCED agrees with this finding and recommendations, with the exception of recommendation #2 and will take actions, as identified below.

Auditor General Recommendations:

1. Verify that the number of jobs created/retained that is self-reported on the Project Update Report (PUR) form is accurate by obtaining support documentation from the company;
    - DCED will verify the jobs created/retained on the PUR form by obtaining payroll tax forms and/or other supporting documentation or by an on-site visit on a random sample basis.

2. Ensure that every company that received MELF funds is monitored for job retention/creation even if the loan is paid off early;

   - DCED agrees that every company that received MELF funds should be monitored for job retention/creation with the exception of early payoff. However, DCED disagrees with the recommendation to monitor every company when the loan has been paid off early, especially since no value is created by monitoring job retention/creation. The only penalty imposed by the law for not meeting the job retention/creation provision of the loan is to increase the interest rate of the loan. If the loan is paid off early, then this penalty is moot.

3. Implement additional job monitoring of MELF loans that covers the term of the loan, including utilizing the annual certificate.

   - DCED will implement monitoring of MELF loans that covers the term of the loan, on a sampling basis.

Auditors' Conclusions:

We acknowledge DCED's agreement with our recommendations #1 and #3 and are encouraged that DCED will strengthen its job monitoring of MELF loans by verifying the accuracy of the jobs retained/created that are self-reported by companies and by implementing monitoring that covers the term of the loan on a sample basis.

In regard to our recommendation #2, we disagree with DCED's response that there is no value in monitoring job retention/creation requirements when a loan is paid off early since the only penalty imposed by the law for not meeting job requirements is to increase interest rates which is moot if the loan is paid off. We believe there is value to monitoring every company that received MELF funds to ensure job retention/creation requirements are met. Without DCED ensuring that the company meets its commitment to retain/create the number of jobs required in the loan agreement, the purpose of the MELF program may not be achieved. While a penalty of an increased loan interest rate may be a moot point for a paid off loan, DCED could implement other consequences for a company who does not comply with job retention/creation requirements. For example, DCED could factor any noncompliance by companies into future funding considerations. We believe monitoring by DCED is essential to ensure the purpose of the MELF program is being achieved.

Finding No. 2 – DCED Failed to Adequately Enforce Job Creation Requirements Involving MELF Funds

For the period of July 1, 2006 through June 30, 2011, there were 122 companies that received a total of $124.6 million in MELF loan disbursements from DCED. We tested 20 of those companies, which had MELF loan disbursements totaling over $61.7 million, to verify if the number of full-time jobs created and/or retained as pledged by the company in the MELF loan application was in accordance with the number of full-time jobs required to be created and/or retained per state law. Each MELF loan must create or retain one full-time job for each $25,000 of loan proceeds within three years of disbursement of funds.[3]

Out of the 20 companies tested, 17 also received funding from one or more other DCED programs for the same project. These other DCED programs included the Opportunity Grant Program, Pennsylvania Industrial Development Authority, Infrastructure Development Program, Industrial Sites Reuse Program, Infrastructure and Facilities Improvement Program, Customized Job Training, or Job Creation Tax Credits. DCED allows companies receiving project funding from multiple DCED programs to pledge a total of full-time jobs to be created and/or retained in order to satisfy the job requirements for all DCED funding received. The pledged number of jobs is established during the application process and is documented within the MELF loan agreement.

Of the 20 companies tested, we found 12 companies, including three that only received MELF funding, that pledged to create and/or retain a total number of jobs equal to or greater than the sum of the jobs required by law to be created/retained for each DCED program that provided funding to the company. However, the remaining 8 companies did not pledge to create and/or retain enough total jobs to satisfy the requirements of each DCED program, as noted in the following table:

Table 1: Program Funds Expended and Total Jobs Created

Company	Total DCED Funds (including MELF)	Total Required Jobs (including MELF)	Jobs Pledged By Company	Difference Between Jobs Required and Jobs Pledged
A	$7,000,000	880	500	380
B	$5,975,000	230	145	85
C	$7,280,000	1,218	860	358
D	$3,150,000	334	150	184
E	$10,571,630	565	500	65
F	$4,000,000	470	250	220
G	$800,000	26	16	10
H	$11,600,000	520	455	65
Totals	$50,376,630	4,243	2,876	1,367

[3] 12 Pa.C.S. § 2905(a)(1)(iv); 12 Pa. Code § 71.4(e).

As seen in Table 1, the eight companies were required to create and/or retain a total of 4,243 full-time jobs. However, the companies pledged to create/retain only 2,876 full-time jobs, or 1,367 full-time jobs less than the required number if each job only counted for a single funding program. Additionally, of the eight companies, five did not actually create/retain the required number of jobs if each job only counted for a single program; one created/retained more jobs than the required amount; and two have not reached the three-year monitoring date.

According to management, it is DCED's practice to ensure that the total number of jobs pledged by the company exceed, at a minimum, the individual program with the highest job requirement. For instance, if one program requires 100 jobs to be created/retained and another program requires 50 jobs to be created/retained, DCED will accept a company's pledge for 100 jobs. DCED management indicated that it is reasonable to count the same full-time job created and/or retained as satisfying requirements for multiple DCED programs because the regulations for MELF and the other programs do not prohibit this practice. While management has informed the auditors that this is its practice, DCED acknowledged that it does not have a written policy stating this practice. We disagree with management's reasoning. By counting the same full-time job created and/or retained for multiple programs, DCED is not effectively reaping the full benefits of the MELF program and other DCED programs. Such practices could potentially lead to a smaller number of companies receiving large amounts of funding through multiple DCED programs and producing minimal economic benefit to the Commonwealth. The cost per job created and/or retained when combining DCED funding could be much higher than what the regulations for each program, including MELF, intended.

Additionally, during the MELF loan application process, no written instructions are provided to the company to define what is considered a full-time job. DCED management indicated that it would be difficult to create one definition of a full-time job to apply to all companies eligible for MELF funding. Good business practice dictates that quantitative measures of performance, such as the number of full-time jobs created or retained, should be defined and documented, whether through written instructions by DCED or defined by the company within the loan application. Without a documented definition, companies could be reporting inconsistent information to DCED and the economic effects on the Commonwealth could be imprecise. Additionally, as stated in Finding No. 1, the jobs are self-reported by the company with no verification by DCED. Therefore, the risk of erroneously reporting the number of full-time jobs is high.

Recommendations:

We recommend that DCED:

4. Revise its regulations to prohibit the same job created/retained to be counted for multiple DCED programs;

5. Discontinue its practice of allowing companies to utilize the same full-time jobs created and/or retained to meet multiple DCED program job requirements for which the company received funding; and

6. Implement and document consistent procedures related to the defining and counting of full-time jobs to be created and/or retained and communicate this to every MELF loan applicant.

Agency Response:

DCED strongly disagrees with the finding that companies receiving awards through multiple DCED programs should pledge job creation/retention commitments of separate jobs for each separate program. The packaging of assistance through multiple DCED programs to assist businesses which are considering a new business location or business expansion in Pennsylvania is a primary service provided by the Governor's Action Team (GAT). Since GAT's inception in 1986 (originally as the Governor's Response Team and later renamed the Governor's Action Team), the practice of allowing the same job creation/retention commitments by a company to satisfy the job requirements of multiple DCED programs has always been followed. The primary reason is that each of our programs has a distinct purpose for its utilization in an economic development project. For example, the MELF program provides low-interest financing for a company's machinery and equipment needs. The Pennsylvania Industrial Development Authority program provides low-interest financing for land and building acquisition and building construction or renovation. The Job Creation Tax Credit Program provides credits towards a company's PA tax liability. The Pennsylvania First Program provides grants for infrastructure, training and other project costs. The concept in the development of these programs by the General Assembly and multiple Gubernatorial Administrations has been to provide an array of economic development tools to DCED that can be utilized to address the various cost areas of a business development project. To require a separate commitment of jobs created and/or retained for each of these tools defeats that intended purpose.

To implement the practice of requiring separate job commitments for each program would severely diminish the value of our programs as economic development incentives. In the wake of several recent years of fiscal/budgetary challenges, the annual appropriation to DCED incentive programs has been reduced significantly. These actions have already put PA in a less competitive posture vs. many of the states with which we routinely compete for economic development projects. Implementing the practice suggested by the AG's Office in Finding #2 would only exacerbate our less competitive position and would certainly result in the loss of many job creation opportunities in the Commonwealth.

To determine the common practice among other states, GAT contacted the Incentives Practice of KPMG, LLP. This group routinely analyzes the economic development incentive programs of all states for comparative purposes. When asked if they were aware of any other states in the U.S. that require separate job creation/retention commitments for each individual program offered, they stated that they are not aware of ANY STATE that has such a requirement. KPMG indicated that ALL STATES, to their knowledge, allow the same jobs to be committed to qualify for multiple state incentive programs. Based on this information, it is abundantly clear that implementing such a practice in Pennsylvania would put us at a distinct competitive disadvantage in our efforts to attract new job-creating economic development projects to the Commonwealth. Also, based on this information, it is apparent that DCED's interpretation of the job creation requirements is consistent with other states, and therefore, a more appropriate interpretation than suggested in the audit report.

Auditor General Recommendations:

4. Revise its regulations to prohibit the same job created/retained to be counted for multiple DCED programs;
    - DCED disagrees with the Auditor General's interpretation of the law and believes we have adequately addressed the job creation requirements of the MELF program and therefore, no need to revise regulations. There is no statutory prohibition on applying jobs created to multiple programs.
5. Discontinue its practice of allowing companies to utilize the same full-time jobs created and/or retained to meet multiple DCED program job requirements for which the company received funding; and
    - DCED disagrees with the Auditor General's interpretation of the law and will continue its practice of more than 25 years of allowing companies to utilize the same full-time jobs created and/or retained to meet multiple DCED program job requirements. DCED determined that the statutes for all of the programs referenced in the audit, do not prohibit counting jobs created/retained under one program from being applied to another in any particular project. The legislative intent was to allow maximum flexibility in using various programs to develop business opportunities in Pennsylvania. In that there is no statutory prohibition on applying jobs created to multiple programs, to enforce a policy of as suggested by the Auditor General could lead to allegations from program applicants that DCED is wrongfully excluding them.

6. Implement and document consistent procedures related to the defining and counting of full-time jobs to be created and/or retained and communicate this to every MELF loan applicant.

    - DCED will implement and document consistent procedures related to the defining and counting of full-time jobs to be created and/or retained. These consistent procedures will identify the program(s) funding the project and jobs will be counted by project and not specific program funding.

<u>Auditors' Conclusions</u>:

DCED disagrees with our recommendations #4 and #5 and the overall premise of our finding. DCED stated that since there is no statutory prohibition of applying the same jobs retained/created to meet requirements of multiple programs, it will continue its practice of doing so to provide maximum flexibility to provide economic development incentives to companies and to retain its competitive posture with other states. Our concern is that as DCED provides funding to companies for multiple programs and then allows the companies to utilize the same jobs retained/created to meet the requirements for each program, the amount Commonwealth funding provided for each job increases above the maximum limit imposed by law for each of the programs. In some cases the funding per job retained/created could be substantial as shown in the examples below.

In one example, Company G (from Table 1 in Finding No. 2) received both a MELF loan and Pennsylvania Industrial Development Authority (PIDA) loan totaling $800,000. Individually, the MELF program requires one job to be retained/created for every $25,000 of loan funds received, while the PIDA program requires one job to be retained/created for every $35,000 of loan funds received. DCED allowed the same 16 jobs retained/created to meet requirements for both programs, which calculates to $50,000 of funding provided for each job the company pledged to retain/create. The company stated in its application that the average wage per job was $43,817 which is less than the actual funds provided per job. If DCED would not allow the same jobs to be counted towards both programs' requirements, 26 jobs would have been required to be retained/created, and the total funding provided would have averaged $30,769 per job and potentially 10 additional jobs would have been retained/created.

In a second example, Company B (from Table 1 in Finding No. 2) received funds totaling $5,975,000 through three different programs, MELF, PIDA, and the Opportunity Grant Program (OGP). In addition to the minimum job requirements noted in the example above for the MELF and PIDA programs, the OGP program requires a minimum of one job retained/created for every $5,000 of funding provided. DCED allowed the same 145 jobs retained/created to meet requirements for all three programs, which calculates to $41,206 of funding provided for each job the company pledged to retain/create. If DCED would not allow the same jobs to satisfy job requirements for all three programs, 230 jobs would have been required to be retained/created (85 additional jobs), and the total funding provided would have amounted to $25,978 per job. Note that the average wage of each job pledged to be retained/created was not noted in the company's application for this example.

DCED management indicated that its policies do not include a maximum cost per job or a maximum number of programs that can be combined for the same number of jobs for a single project. Management said the maximum limits are set in the laws for each respective program. However, as noted above these statutory limits are exceeded when the same jobs are allowed to satisfy requirements of multiple programs. As the cost per job increases the economic benefit to the Commonwealth decreases and there are less funds available for other projects and companies.

Based on the above, we continue to recommend that DCED revise its regulations and discontinue its practice of allowing companies to utilize the same full-time jobs retained/created to meet multiple DCED program job requirements for which the company received funding.

We acknowledge DCED’s agreement with recommendation #6 and we are encouraged that DCED will strengthen its procedures for consistently defining and counting full-time jobs to be retained/created.

Appendix A: Objectives, Scope, and Methodology

Objectives

The objectives of this special performance audit were to determine whether:

- DCED approves loans to applicants in accordance with applicable law, regulation, and policy. (See Finding No. 2)

- DCED adequately monitors the loan recipients to ensure the job creation or retention is achieved and the loan is repaid in accordance with the loan agreement. (See Finding No. 1)

Scope

Our audit period covered DCED's duties and responsibilities with regard to loans from the Machinery and Equipment Loan Fund for the period of July 1, 2006 through June 30, 2011, including follow-up procedures performed and concluded as of July 24, 2012.

Methodology

The methodology in support of the audit objectives included:

- Reviewing Title 12 of the PA Consolidated Statute §2901-§2912, Title 12 of the PA Code §71.1-§71.12, DCED Core Industries/Machinery and Equipment Loan Fund Program Guidelines, DCED Center for Business Financing Performance Monitoring Division Operating Procedures Manual, DCED's online Investment Tracker (http://www.dced.state.pa.us/investmenttracker/) and other related information from DCED's website (http://www.newpa.com);

- Interviewing and corresponding with DCED's management including staff from the Center for Business Financing Loan Division, Performance Monitoring Division, and the Governor's Action Team to assess controls and gain an understanding of policies and procedures used in the MELF loan process;

- Haphazardly selecting MELF project and legal files, MELF monitoring files, and GAT project analysis files for detailed testing. Selection of some items included judgment such as high loan amounts, number and timing of loans a company received, and loans to companies which later went out of business; and

- Reviewing loan applications, loan agreements, payment records, company invoices, monitoring reports, company correspondences, and other support documentation to verify whether the loans were in compliance with laws and regulations.

Distribution List

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable C. Alan Walker (3)
Secretary
Department of Community and Economic Development
4th Floor, Commonwealth Keystone Building
Harrisburg, PA 17120

The Honorable Robert M. McCord (2)
State Treasurer
129 Finance Building
Harrisburg, PA 17120

The Honorable Linda L. Kelly
Attorney General
Office of Attorney General
Strawberry Square
Harrisburg, PA 17120

The Honorable Kenya Mann Faulkner
Inspector General
Office of Inspector General
8th Floor, Forum Place
Harrisburg, PA 17101

Mr. Fritz Smith
Acting Deputy Secretary
Department of Community and Economic Development
4th Floor, Commonwealth Keystone Building
Harrisburg, PA 17120

Mr. Phillip R. Durgin, Executive Director
Legislative Budget and Finance Committee
400 Finance Building
Harrisburg, PA 17120
Mr. Phillip R. Durgin, Executive Director

Mr. John J. Kaschak, Director
Bureau of Audits
Office of the Budget
8th Floor, Forum Place
Harrisburg, PA 17101

Ms. Mary Spila (4)
Collections/Cataloging
State Library of Pennsylvania
217 Forum Building
Harrisburg, PA 17120

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.