



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

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Audit Recommends WEDC Revise Procedures

MADISON – Today, the nonpartisan Legislative Audit Bureau (LAB) released its 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 18-18). 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 can first award program tax credits in 2019, based on the jobs Foxconn created in 2018. Foxconn is contractually required to first report to WEDC by April 1, 2019. This report will include information on the jobs created from January 2018 through December 2018. Foxconn is required to hire and pay for a nationally recognized certified public accountant (CPA) to perform an attestation of the job creation and capital investment information submitted by Foxconn. WEDC’s contract stipulates that this CPA must report to WEDC on the results of this attestation within 45 days after April 1. In 2019, LAB will then analyze the extent to which WEDC complied with statutory and contractual requirements when it verified the amount of program tax credits to award.

“This is the first time we have required LAB to take a prospective look at contract-specific procedures which is appropriate for a project of this magnitude,” said Representative Samantha Kerkman (R-Salem Lakes). “Far in advance of any job-creation tax credits being awarded, residents in neighboring areas such as Kenosha County already see construction workers driving to Foxconn and know that there are already employees working onsite. It is reassuring to them, and to taxpayers statewide to know that this evaluation is setting a baseline for compliance to the terms of the contract.”

LAB found WEDC had established written procedures, which do not comply with statutes or WEDC’s contract, that allow it to award program tax credits for certain employees who do not perform services in Wisconsin as long as these employees are paid in the zone. LAB recommends that WEDC revise its procedures to ensure compliance with statutes and its contract.

“Once again, the diligent work of the Legislative Audit Bureau has uncovered a discrepancy that had the potential to cost Wisconsin taxpayers money. This audit has given the Legislature and WEDC the ability to identify this issue and correct it prior to any tax credits being awarded. I am looking forward to the follow-up report by WEDC in January to ensure this has been rectified in accordance with the statutes,” said Senator Robert Cowles (R-Green Bay).

Copies of report 18-18 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.

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