

Legislative Performance Audit Committee

Memorandum

To: Members of the Legislature
From: Legislative Audit Office
Date: September 29, 2022
Re: Legislative Audit Office Annual Report

Overview

Each year the Legislative Audit Office is required to report to the Legislature on the completed audits and the recommendations made by the Legislative Audit Committee in the audit reports. The following audits and pre-audits were completed during FY2022:

- Implementation audit of ImagiNE Nebraska Act
- Audit of Job Creation and Mainstreet Revitalization Act

The following audits and pre-audits are underway currently:

- Audit of overtime use at Departments of Correctional Services, Health and Human Services, and Transportation (draft report submitted August 2022)
- Pre-audit of TEEOSA funding
- Pre-audit of Fiscal Notes

FY 2022 Report Recommendations

Recommendations from the ImagiNE Nebraska Act Memorandum

The ImagiNE Nebraska Act Memorandum contained a number of recommendations, which were included in Section 19 of LB 1150 (2022), introduced by the Legislative Performance Audit Committee. Of the recommendations, these were adopted by the Legislature:

1. Companies should be required to provide the most recent parcel valuations and levy rates for incentivized locations when they apply.
2. Companies should be required to report where recruited employees were living when the tax credit eligible recruitment activities occurred.
3. Companies should be required to report the type of training provided to employees when using tax credits to reimburse training expenses, as is required for the workforce training loan program.

Provisions not adopted by the Legislature were:

4. Companies should be required to answer the following two questions during the application process:
 - Were sites outside of the state seriously considered for location or expansion?
 - Were incentives for this activity offered by other states or considered by the company?
5. Companies should be required to report investments by IRS asset class designations along with the other information they are already required to report.
6. Companies should be required to report incentivized employee occupations by Bureau of Labor Standards Standard Occupational Classification designations.

Recommendations from the Audit of the Job Creation and Mainstreet Revitalization Act

1. If the current Legislature wants any of the goals found in the legislative intent (geographic distribution, use by non-profits, and project size) to be reflected in law, it will need to amend the program's statutes. If it does add one or more of them, it would be helpful for future evaluations if it indicated more specifically what it would consider meeting each standard.
2. If the Legislature is concerned that prohibiting transferability for a portion of the for-profit entities credits has not kept credits from being moved to entities that are not the project developers it may wish to consider removing the prohibition and/or consider other changes to the program to increase efficiency.
3. Future evaluations would be improved if more information was available on individual projects including budget structures, total (eligible/non-eligible) project costs, and syndication agreement details.
4. Future evaluations would be improved with reporting on tenant businesses of renovated projects and the number of employees at those locations.
5. If the Legislature wants to monitor the costs of the program, it should require that information in annual reports.
6. If the Legislature wants to forecast future costs of the program, it should require that information in annual reports.

No action was taken on any of the recommendations.