

# PERFORMANCE AUDIT

## Report Highlights



Office of the  
Washington  
State Auditor  
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## Improving Performance Management in Economic Development Programs

The Department of Commerce is tasked with enhancing and promoting the state's economic vitality. State law requires Commerce to cooperate with the state Legislature and governor in developing and implementing strategic plans to address community and economic development. Strategic planning helps organizations determine what they plan to accomplish and how to measure their progress. Commerce's Office of Economic Development and Competitiveness (OEDC) manages a number of economic development programs, which are overseen by its six units.

Currently, OEDC does not have an economic development strategic plan. Agency officials acknowledged the need for a plan and that performance management is inconsistent across their economic development programs. Contract management forms a large part of OEDC's responsibilities because most of its programs are administered through grant agreements and vendor contracts.

In light of OEDC's leadership changes and planning activities, this audit focused on identifying leading practices around strategic planning and performance management to support those efforts. The audit also researched other states' economic development plans to provide examples of how they have implemented these practices. Finally, we met with OEDC managers and staff to gain an understanding of current performance management mechanisms in place to track programs' success.

### Commerce's OEDC has opportunities to better plan for and measure progress on its economic development efforts

When new leadership at OEDC is in place, the division will work on the statewide economic development strategic plan. The agency is currently hiring a new Assistant Director; that person will be tasked with developing and implementing this plan, with a work plan to follow. To gain an understanding of their current performance management efforts, we selected one program and vendor contract from each of the six units in OEDC to

review. While all the reviewed programs set goals, only half set performance measures and targets to assess if they met their goals. Programs focused tracking efforts on contract deliverables, while only half tracked program outcomes. OEDC already includes some elements of leading practices that can support its efforts to create a strategic plan and performance management framework.

## Leading practices and other states' practices provide examples of planning and performance management for economic development programs

Leading practices advise developing a strategic plan and monitoring programs to achieve stated goals. Practices used by other states also offer useful examples of statewide economic development strategic plans. The audit additionally reviewed leading practices that apply planning and monitoring activities to contract management because that is especially relevant to OEDC. Identified practices fall into four areas:

1. Establish an economic development strategic plan, including goals and objectives
2. Monitor progress toward plan goals and objectives, and communicate results to partners and others
3. Ensure programs align with the strategic plan goals and objectives, and monitor their progress
4. Include performance provisions in the contracts and grant agreements, and monitor contractors

By applying these practices, OEDC can be more certain of assembling a robust strategic plan that will help guide its programs to success and achieve their intended outcomes.

## State Auditor's Conclusions

Economic development is a shared aspiration of Washingtonians from every corner of the state, who all want their communities to thrive. Fostering statewide prosperity is a complex undertaking, however. Advanced planning is essential to ensure our economic development programs align with clear goals, and they rely upon established strategies to reach those goals. This performance audit provides a road map to an effective economic development strategic plan for the Department of Commerce. The agency has already committed to developing such a plan, and I believe the leading practices detailed in this report will be valuable to its Office of Economic Development and Competitiveness.

This audit reviewed the economic development plans of several other states, and in particular, we highlight the work of New Mexico. That state has modeled the measurements and occasional revisions that are needed for long-term success – the state reviews what has worked well, what has not, and adjusts accordingly. New Mexico also reports its progress to the public, displaying the kind of transparency that builds confidence in government programs. Our recommendations will help Commerce and the OEDC in their efforts to both craft a strategic economic development plan and establish a performance management framework to assess its successes in the future.

## Recommendations

We made recommendations to the Department of Commerce's OEDC highlighting specific strategic planning and performance management practices. OEDC should apply these practices as it develops its economic development strategic plan and performance management framework. This will help OEDC gauge the plan's progress, and monitor and evaluate its economic development programs.