



## State of Tennessee

Justin P. Wilson, State Comptroller

For Immediate Release: Nov. 13, 2012

### **Audit Finds Serious and Pervasive Problems with the Department of Economic and Community Development's TNInvestco Program**

Tennessee's TNInvestco Program, which is administered by the state Department of Economic and Community Development (ECD), has serious and pervasive problems, according to report released today by the Comptroller's Division of State Audit.

TNInvestco was launched in 2009 as a program that provides tax credits to businesses which invest in certain types of start-up companies. The program was launched as a way to create jobs, foster entrepreneurial activity and infuse fledgling companies with capital. Recipients of the tax credits are chosen through an application process that requires them to meet certain criteria in order to qualify.

The Comptroller's report details that the program was launched without adequate safeguards in place to determine that the companies receiving start-up funding were actually eligible to do so. Those safeguards are still lacking.

Auditors found that ECD failed to:

- complete adequate annual reviews;
- complete its annual report; or
- evaluate program risks in its annual risk assessment.

Auditors also found that ECD did not ensure that the companies receiving tax credits:

- completed statutorily-required investment strategy scorecards;
- provided required accounting reports of specific procedures; or
- provided audited financial statements in a timely fashion.

Without adequate documentation, top ECD officials might have difficulty determining if the required investment strategy benchmarks are being met and if investments are free from fraud, waste or abuse. Furthermore, the lack of documentation raises questions about how accurate reports can be provided to the governor's office.

The audit also highlighted some other issues with ECD that are unrelated to the TNInvestco program.

To view the report online, go to: <http://www.comptroller.tn.gov/repository/SA/pa12060.pdf>

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