

Report To The Mississippi Legislature



A Description of Mississippi's Planning and Development Districts, an Assessment of Their Oversight, and a Review of Their Fairness in Administering Loan Programs

January 5, 1998

Because PDDs are private, nonprofit corporations, federal and state agencies review specific programs, but no agency routinely oversees PDDs' programs or finances on a comprehensive basis. In reviewing the adequacy of oversight of PDDs and the fairness of the PDD loan application process, PEER identified varying levels of oversight and administrative procedures. PEER found that:

- oversight of PDDs' effectiveness in improving the economy is inadequate because no performance indicators have been developed at state or regional levels to be used in assessing PDDs' impact;
- oversight of PDDs' fiscal compliance is fragmented, consisting primarily of varying levels of monitoring by state agencies, limited federal monitoring, and federally mandated independent audits; and,
- although PDDs have developed some procedures for avoiding conflicts of interest, ensuring program promotion to a wide audience, and establishing a clear and open application process, no PDD had established all of the procedures that PEER considers necessary for fairness in loan program administration.

The PEER Committee

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

**A Description of Mississippi's Planning and Development Districts, an
Assessment of Their Oversight, and a Review of Their
Fairness in Administering Loan Programs**

January 5, 1998

**The PEER Committee
Mississippi Legislature**

The Mississippi Legislature

Joint Committee on Performance Evaluation and Expenditure Review

PEER Committee

SENATORS
EZELL LEE
Chairman
HOB BRYAN
WILLIAM CANON
BOB M. DEARING
JOHNNIE E. WALLS, JR.



REPRESENTATIVES
TOMMY HORNE
Vice-Chairman
HERB FRIERSON
Secretary
WILLIAM E. (BILLY) BOWLES
ALYCE G. CLARKE
MARY ANN STEVENS

TELEPHONE:
(601) 359-1226

FAX:
(601) 359-1420

Post Office Box 1204
Jackson, Mississippi 39215-1204

Max K. Arinder, Ph. D.
Executive Director

OFFICES:
Professional Building
222 North President Street
Jackson, Mississippi 39201

January 5, 1998

Honorable Kirk Fordice, Governor
Honorable Ronnie Musgrove, Lieutenant Governor
Honorable Tim Ford, Speaker of the House
Members of the Mississippi State Legislature

At its meeting of January 5, 1998, the PEER Committee authorized release of the report entitled *A Description of Mississippi's Planning and Development Districts, an Assessment of Their Oversight, and a Review of Their Fairness in Administering Loan Programs.*

A handwritten signature in cursive script, reading "Ezell Lee", written over a horizontal line.

Senator Ezell Lee, Chairman

**This report does not recommend increased
funding or additional staff.**

Table of Contents

| | |
|--|------------|
| Letter of Transmittal..... | i |
| List of Exhibits | v |
| Executive Summary..... | vii |
| Introduction | 1 |
| Authority | 1 |
| Purpose | 1 |
| Scope and Method..... | 1 |
| Overview | 2 |
| Background | 4 |
| History | 4 |
| Federal Government Encourages Regional Planning and Development..... | 4 |
| Executive Order Requests Recognition of PDDs in Planning and Program Development | 4 |
| Office of Federal-State Programs Designated as the Single Point of Contact | 5 |
| Application Review Function Transferred to Department of Finance and Administration | 7 |
| Programs and Services..... | 7 |
| Human Service Programs..... | 8 |
| Economic Development Programs..... | 11 |
| Conclusions | 19 |
| Characteristics of Planning and Development Districts..... | 19 |
| Purpose of PDDs | 19 |
| Responsibilities of PDDs..... | 20 |
| Legal Status of PDDs | 22 |
| Adequacy of Oversight..... | 23 |
| Oversight of PDDs' Effectiveness in Accomplishing Their Mission..... | 23 |
| Oversight of PDDs' Programs and Finances..... | 29 |
| Fairness of Loan Programs..... | 42 |
| Conflict of Interest | 43 |
| Promotion of Loan Programs to Residents of the Districts..... | 47 |
| Clear and Open Application Process | 49 |
| Recourse..... | 53 |
| Cost to Applicants..... | 56 |
| Recommendations..... | 57 |

Table of Contents (continued)

| | | |
|------------------------------|--|-----------|
| Appendix A: | Information on the Mississippi Intergovernmental Review Process..... | 63 |
| Appendix B: | Summary Presentation of Audited Financial Statements of Nine Mississippi Planning and Development Districts, Fiscal Year Ended September 30, 1996..... | 64 |
| Appendix C: | Analysis of Schedule of Federal Revenue by Program Reported in FY 1996 Planning and Development District Audits | 65 |
| Appendix D: | Schedule of Mississippi Planning and Development District Assets for Four Major Loan Programs by District..... | 67 |
| Appendix E: | Counties Served by Appalachian Regional Commission Local Development Districts..... | 68 |
| Appendix F: | Detailed Assessment of the Statewide Economic Development and Planning Act Requirements with Key Strategic Planning Elements for Economic Development and How the State is Performing Against the Key Elements..... | 69 |
| Appendix G: | State and Regional Economic Development Planning as a Basis for Planning and Development District Accountability..... | 71 |
| Appendix H: | Information Provided in Federally Mandated Independent Auditor's Reports on PDDs | 72 |
| Appendix I: | State Oversight Controls..... | 74 |
| Appendix J: | Job Training Partnership Act Service Delivery Areas in Mississippi..... | 75 |
| Appendix K: | Summaries of Five Reports on Planning and Development Districts Prepared by Mississippi's Joint Legislative Committee on Performance Evaluation and Expenditure Review..... | 76 |
| Agency Responses..... | | 79 |

List of Exhibits

| | |
|---|-----------|
| 1. Federal and State Oversight and Monitoring Activities of Mississippi's Planning and Development Districts..... | 3 |
| 2. Mississippi Planning and Development Districts | 6 |
| 3. Mississippi Planning and Development Districts' Generic Organization Chart..... | 7 |
| 4. Summary Presentation of Audited Financial Statements of Nine Mississippi Planning and Development Districts, Fiscal Year Ending September 30, 1996..... | 9 |
| 5. Description of Human Service Programs Administered by Mississippi Planning and Development Districts (PDDs)..... | 10 |
| 6. Descriptions of Four Major PDD Loan Programs Included in the PEER Review..... | 13 |
| 7. Description of Taxable General Obligation Bond Issues for Loan Programs Financed by the State of Mississippi and Administered by Planning and Development Districts as of June 30, 1997..... | 14 |
| 8. Schedule of Assets of Ten Mississippi Planning and Development Districts for Four Major Loan Programs..... | 15 |
| 9. Description of Economic Development Programs Which PDDs Provide Related Technical Assistance Services..... | 16 |
| 10. PDD Technical Assistance Services to Local Governments by Economic Development Program..... | 17 |
| 11. Assessment of the Statewide Economic Development and Planning Act Requirements with Key Strategic Planning Elements for Economic Development and How the State is Performing Against the Key Elements..... | 26 |
| 12. Federal and State Oversight and Monitoring Activities of Four Major Loan Programs Administered by Mississippi Planning and Development Districts..... | 37 |
| 13. Planning and Development Districts' Self-reported Use of Practices Selected by PEER as Indicators of Fair and Open Application Procedures..... | 44 |
| 14. Conflict of Interest Regulations for Four Major Loan Programs Administered by Planning and Development Districts..... | 45 |
| 15. Example of Minimum Program Guidelines and Application Procedures to be Provided to PDD Loan Applicants by PDDs for a Fair and Open Loan Process..... | 51 |

A Description of Mississippi's Planning and Development Districts, an Assessment of Their Oversight, and a Review of Their Fairness in Administering Loan Programs

January 5, 1998

Executive Summary

Introduction

PEER reviewed Mississippi's planning and development districts (PDDs) and sought to answer the following questions:

- What are planning and development districts?
- Is there adequate oversight of the PDDs to ensure that they are effective in accomplishing their primary public purpose and that they consistently maintain programmatic and fiscal integrity?
- Do PDDs ensure fairness in their loan programs by establishing clear and open procedures for the application process and for making potential applicants aware of the programs?

Overview

PDDs are private, nonprofit, nonshare corporations created to promote regional economic development, having close ties to state and local governing authorities. PDDs' status as governmental service providers chartered for a public purpose warrants legislative interest in their accountability for the use of public funds. As regional organizations, the PDDs can offer potential benefits to state and local government. For example, PDDs can serve as a mechanism for coordinating program delivery and providing program information to the public and private sectors. PDDs also provide technical assistance to communities in obtaining federal and state funding for economic development projects.

However, oversight of PDDs could be improved to ensure program efficiency and effectiveness. Be-

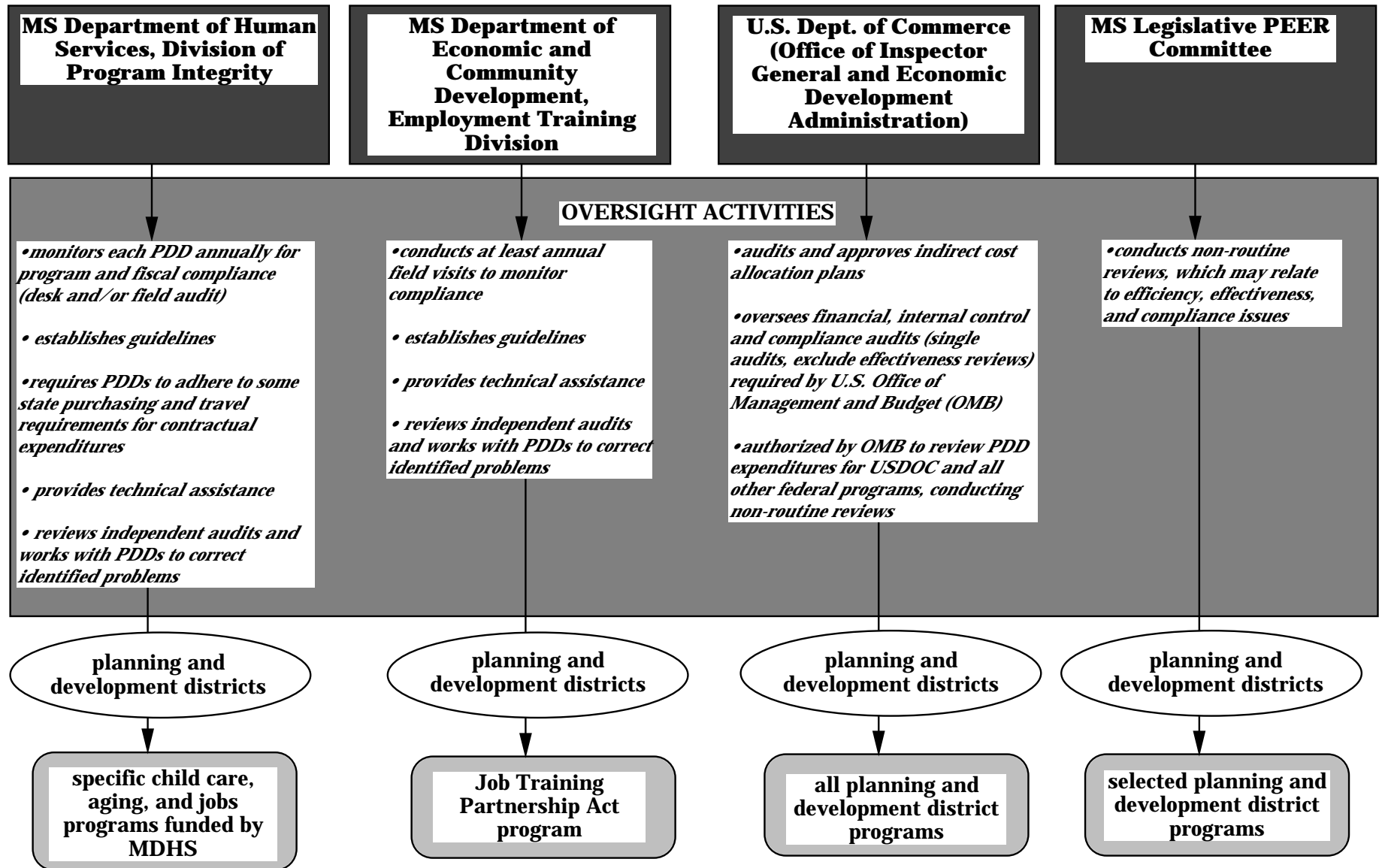
cause PDDs are private, nonprofit corporations, federal and state agencies review specific programs, but no agency routinely oversees their programs or finances on a comprehensive basis. (The exhibit on page viii illustrates federal and state oversight of Mississippi's PDDs.)

In reviewing the adequacy of oversight of PDDs and the fairness of the PDD loan application process, PEER identified varying levels of oversight and administrative procedures. PEER found that:

- oversight of PDDs' effectiveness in improving the economy of individual districts and of the state as a whole is inadequate because no performance indicators have been developed at the state or regional levels to be used in assessing PDDs' economic development impact;
- oversight of PDDs' fiscal compliance is fragmented, consisting of federally mandated independent audits, legislative reviews of selected program activities at specific PDDs, and state agencies' monitoring of PDDs' compliance with state and federal regulations;
- the quality of PDD monitoring by state agencies (such as the Department of Human Services and the Department of Economic and Community Development) varies; and,
- although PDDs have developed some procedures for avoiding conflicts of interest, ensuring program promotion to a wide audience, and establishing a clear and open application process, no PDD had established all of the procedures that PEER considers necessary for fairness in loan program administration.

Exhibit

Federal and State Oversight and Monitoring Activities of Mississippi's Planning and Development Districts



SOURCE: PEER analysis of agency interviews and program documents.

Summary of Recommendations

(See page 57 of the report for a detailed list of recommendations.)

Concerning oversight of PDDs' effectiveness in accomplishing their mission, the Bureau of Long Range Economic Development Planning and Special Task Force for Economic Development Planning should:

- fulfill their statutory responsibilities pursuant to the Statewide Economic Development and Planning Act of 1987 by developing a coordinated, up-to-date, statewide economic development plan with prioritized goals and performance measures for monitoring progress toward goal achievement by economic development entities, including PDDs; and,
- by January 2000, and annually thereafter, report to the Legislature on their progress in coordinating economic development planning and implementation.

If the Legislature determines that insufficient progress has been made in coordinating economic development planning and implementation, the Legislature should consider relieving the bureau and task force of their authority and placing that authority with a Planning and Development Council to be chaired by the Executive Director of the Department of Economic and Community Development and staffed by DECD's employees.

Also, concerning oversight of PDDs' effectiveness in accomplishing their mission:

- the Office of the State Auditor should review annually PDDs' independent auditors' reports and report the results of the review to the Legislature, Governor, and Bureau of Long Range Economic Development Planning;
- the Department of Human Services and the Department of Economic and Community Development should report annually to the Bureau of Long Range Economic Development Planning the types of information reported to the federal funding agencies (i.e., input and output measures) on the efficiency of their human service programs delivered by and through the PDDs. DECD and DHS should report efficiency informa-

tion on each PDD in the agencies' annual budget requests to the Legislature;

- the Department of Economic and Community Development should report to the Bureau of Long Range Economic Development Planning on the efficiency of the two state loan programs delivered by and through the PDDs.

The Legislature should require that state agencies entering into agreements with private contractors, including PDDs, incorporate accountability provisions into those agreements.

Concerning DECD's oversight of loan programs, the Legislature should keep in place the primary loan oversight provisions related to DECD by deleting a repealer in MISS. CODE ANN. Section 57-10-511. The department should:

- resume monitoring the semi-annual Small Business Assistance loan program reports to determine compliance with administrative cost requirements, losses, delinquencies and other portfolio characteristics;
- develop a plan for periodic on-site monitoring of entities which administer Minority Business Enterprise and Small Business Assistance loans;
- develop a system for tracking the types of loan program complaints by district and for resolving those complaints; and,
- incorporate provisions for requiring and monitoring fairness in the loan application process into its system of loan program oversight.

Concerning its administration of loan programs, the PDDs should:

- broadly advertise their loan programs by conducting at least one promotional activity each year in the majority of their counties or in each major populated county in their districts to open the process for all citizens;
- send written denial letters listing the reasons for loan denial;
- require that each borrower sign a conflict of interest statement that acknowledges

that the borrower has read the conflict of interest regulations and has no conflict of interest under the loan program regulations and statutes or any other constitutional or statutory provision that relates to conflict of interest;

- provide comprehensive and written eligibility criteria to applicants for each loan program for which they apply or are being evaluated for assistance;

- inform applicants in writing of the general steps in the application process; and,
- disclose the identity of the state or federal agencies funding the loan programs they administer.

Also, Southern Mississippi PDD should review its policy of charging application fees for loan programs and consider reducing or eliminating the fee.

For More Information or Clarification, Contact:

PEER Committee
P. O. Box 1204
Jackson, MS 39215-1204
(601) 359-1226
<http://www.peer.state.ms.us>

Senator Ezell Lee, Chairman
Picayune, MS (601) 798-5270

Representative Tommy Horne, Vice-Chairman
Meridian, MS (601) 483-1806

Representative Herb Frierson, Secretary
Poplarville, MS (601) 795-6285

A Description of Mississippi's Planning and Development Districts, an Assessment of Their Oversight, and a Review of Their Fairness in Administering Loan Programs

Introduction

Authority

The PEER Committee authorized a review of Mississippi's planning and development districts (PDDs) pursuant to the authority granted by MISS. CODE ANN. Section 5-3-57 et seq. (1972).

Purpose

The review sought to answer the following questions:

- What are planning and development districts?
- Is there adequate oversight of the PDDs to ensure that they are effective in accomplishing their primary public purpose and that they consistently maintain programmatic and fiscal integrity?
- Do PDDs ensure fairness in their loan programs by establishing clear and open procedures for the application process and for making potential applicants aware of the programs?

Scope and Method

In conducting this review, PEER:

- reviewed relevant sections of federal and state laws, rules, regulations, policies, and procedures regarding programs, finances, and governance of the PDDs;
- interviewed selected federal, state, and district personnel;
- reviewed financial records of the ten PDDs (only reviewed nine of ten PDD FY 1996 audit reports because the North Delta audit has not been completed);
- examined state and federal procedures for oversight of the PDDs which exist to assure program compliance; and,
- surveyed the ten planning and development districts regarding administration of four major loan programs.

Overview

PDDs are private, nonprofit, nonshare corporations created to promote regional economic development, having close ties to state and local governing authorities. PDDs' status as governmental service providers chartered for a public purpose warrants legislative interest in their accountability for the use of public funds. As regional organizations, the PDDs can offer potential benefits to state and local government. For example, PDDs can serve as a mechanism for coordinating program delivery and providing program information to the public and private sectors. PDDs also provide technical assistance to communities in obtaining federal and state funding for economic development projects. However, oversight of PDDs could be improved to ensure program efficiency and effectiveness.

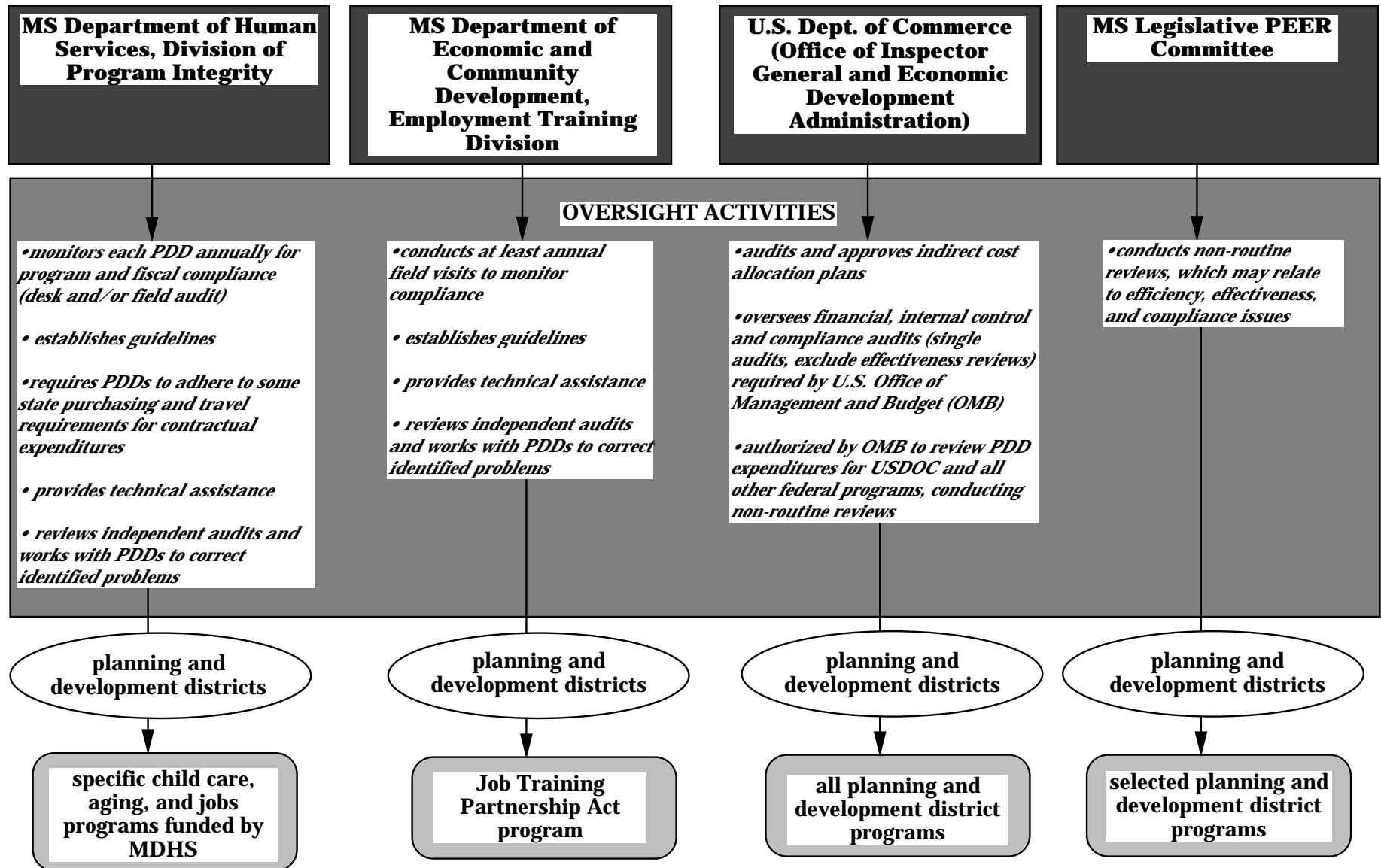
Because PDDs are private, nonprofit corporations, federal and state agencies review specific programs, but no agency routinely oversees their programs or finances on a comprehensive basis. In reviewing the adequacy of oversight of PDDs and the fairness of the PDD loan application process, PEER identified varying levels of oversight and administrative procedures. PEER found that:

- oversight of PDDs' effectiveness in improving the economy of individual districts and of the state as a whole is inadequate because no performance indicators have been developed at the state or regional levels to be used in assessing PDDs' economic development impact;
- oversight of PDDs' fiscal compliance is fragmented, consisting of federally mandated independent audits, legislative reviews of selected program activities at specific PDDs, and state agencies' monitoring of PDDs' compliance with state and federal regulations;
- the quality of PDD monitoring by state agencies (such as the Department of Human Services and the Department of Economic and Community Development) varies; and,
- although PDDs have developed some procedures for avoiding conflicts of interest, ensuring program promotion to a wide audience, and establishing a clear and open application process, no PDD had established all of the procedures that PEER considers necessary for fairness in loan program administration.

See Exhibit 1, page 3, for an overview of federal and state oversight of Mississippi's PDDs.

Exhibit 1

Federal and State Oversight and Monitoring Activities of Mississippi's Planning and Development Districts



NOTE: Exhibit 12, page 37, illustrates federal and state oversight of the four major loan programs administered by PDDs.

SOURCE: PEER analysis of agency interviews and program documents.

Background

History

During the 1960s an increasing number of federal programs became available to local governments, especially programs involving planning and economic development assistance from such federal agencies as the Department of Commerce's Economic Development Administration and the Department of Housing and Urban Development. These programs required review and comment by regional organizations as a precondition for funding. In order to insure eligibility for such program funds, local governments throughout the state moved to establish regional organizations. During this time Mississippi's local governments, under the authority of the nonprofit corporation act, created and chartered ten private, nonprofit, nonshare corporations for the purpose of assisting their member communities with planning and economic development efforts throughout the state.

Federal Government Encourages Regional Planning and Development

Because a lack of common standards for regional districting resulted in overlapping program boundaries, the federal government implemented in 1969 the provisions of the Intergovernmental Cooperation Act of 1968. (The act encouraged the states to establish a system of planning and development districts or regions in each state which could provide a consistent geographic base for the coordination of federal, state, and local development programs in order to minimize inconsistency among federal administrative and approval requirements placed on state, regional, and metropolitan planning activities. The act also encouraged states to eliminate overlap, duplication, and competition in state and local planning activities assisted or required under federal programs and to make the most effective use of state and local resources available for development planning.) This act, administered by the Office of Management and Budget (OMB) through Circular A-95, established procedures for coordinating the federally funded programs with state, regional, and local planning activities. OMB Circular A-95 required a project notification and review process provided by sub-state regional systems called areawide clearinghouses.

Executive Order Requests Recognition of PDDs in Planning and Program Development

In an attempt to standardize regional economic and planning boundaries in the state of Mississippi and influenced by federal and congressional action, Governor John Bell Williams issued Executive Order

81, effective July 1, 1971, which designated and recognized the ten existing non-profit corporations as the official sub-state regions and renamed them “planning and development districts (PDDs)” (see Exhibit 2, page 6). As the official sub-state regions, the PDDs serve as the regional clearinghouses responsible for review and comment on federal applications for funds. Executive Order No. 81 requested federal and state agencies to recognize and use the boundaries of the PDDs in planning and program development activities. Where adherence to boundaries was not feasible, it suggested that agencies adjust their activities to include jurisdictions solely within one district or to use multiple PDDs in order to avoid overlapping program boundaries. To oversee the sub-state system, Executive Order No. 81 designated the Coordinator of Federal-State programs in the Office of the Governor as the principal agency to advise and coordinate the activities of the PDDs so that they could constitute a unified and cohesive effort in carrying out overall state planning and development policies and programs.

Although most states established their regional systems through legislation, Mississippi is one of several states to establish its system as nonprofit corporations and to only recognize them through executive order. The Mississippi Legislature has neither passed enabling legislation nor appropriated funding for PDDs’ operations.

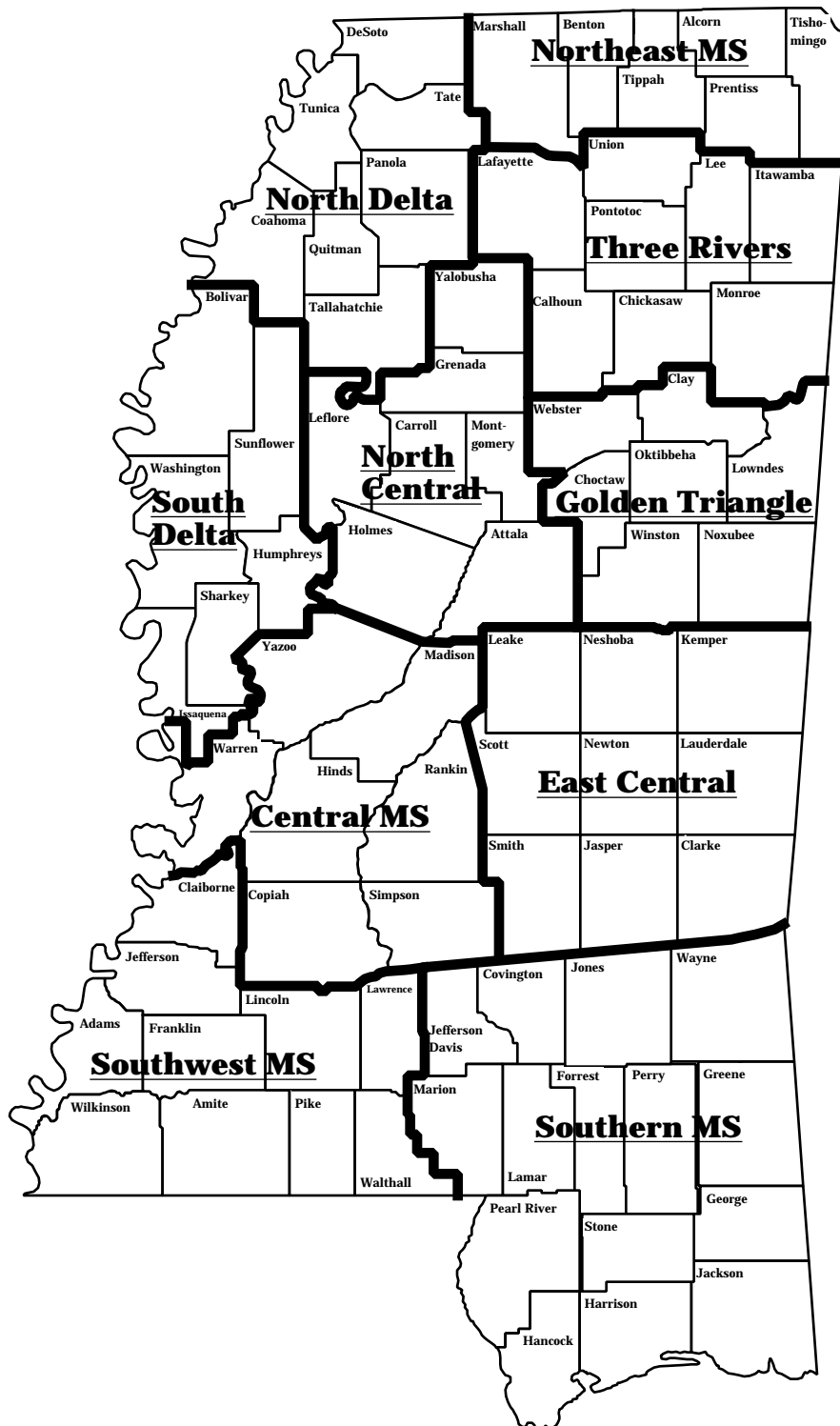
The PDDs are governed by boards of directors appointed by local government officials. Board members, most of whom are selected by the board of supervisors in each county, are usually county and municipal elected officials, representatives of business or industry, and minority leaders. The PDDs are managed by executive directors who are responsible to the boards of directors and are assisted by staff (see Exhibit 3, page 7).

*Office of Federal-State Programs Designated
as the Single Point of Contact*

In an attempt to improve the review process, Federal Executive Order No. 12372, titled “Intergovernmental Review of Federal Programs,” was issued in 1982, replacing OMB Circular A-95 requirements and allowing states to establish their own system for review and comment on proposed federal financial assistance. Pursuant to the federal executive order, Mississippi Governor William F. Winter in 1983 issued Executive Order No. 486, which designated the Governor’s Office of Federal-State Programs as the single point of contact for the state and the agency responsible for outlining guidelines and procedures for managing and coordinating the state’s system for review and comment on proposed federal financial assistance.

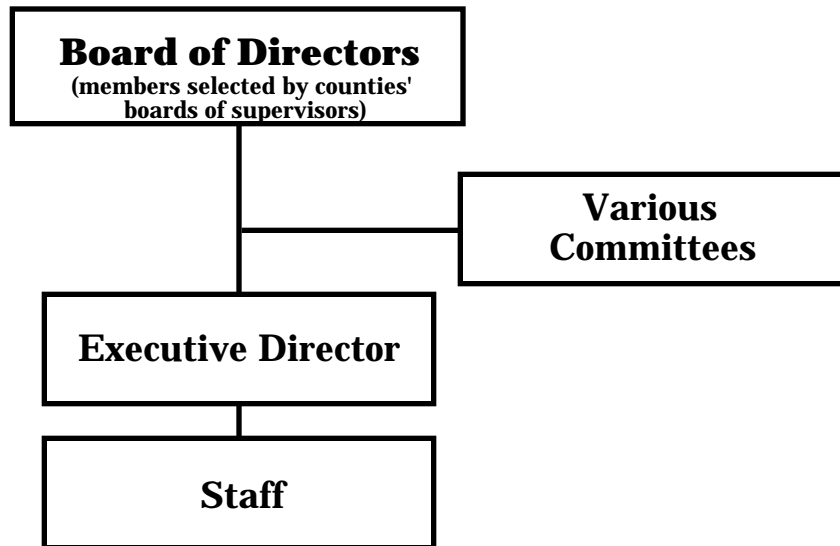
Exhibit 2

Mississippi Planning and Development Districts



SOURCE: The 1997 Directory of Mississippi's Planning and Development Districts.

Exhibit 3
Mississippi Planning and Development Districts' Generic
Organization Chart



SOURCE: PEER analysis.

***Application Review Function Transferred to
Department of Finance and Administration***

In 1989 a series of reorganizations abolished the Office of Federal-State Programs. As a result, Governor Ray Mabus in 1989 issued Executive Order No. 615, which amended Executive Order 486 transferring the review function to the Department of Finance and Administration. The state clearinghouse continues to reside within the Department of Finance and Administration managing and coordinating the state's system for review and comment and serving as liaison with the PDDs to facilitate their provision of local review and comment on federal assistance applications subject to the intergovernmental review process. Primary objectives of the Mississippi Intergovernmental Review Process are to ensure that proposed projects are based on local plans and priorities and to prevent duplication of funding. See Appendix A, page 63, for additional information on the Mississippi Intergovernmental Review Process.

Programs and Services

The role of the sub-state systems has evolved and continues to evolve in response to federal, state, and local level needs and issues. As previously

indicated, the regional systems were initially involved in planning and economic development activities required by the various federal programs. More recently states' regional systems have expanded their role to include providing programs and services in such areas as job training, child care, aging, waste management, and transportation. Currently, Mississippi's PDDs' primary source of funding comes from state-administered grants of federal funds for human service programs related to aging, child care, and employment and job training. The state's financial assistance to the PDDs primarily has been indirect. The Legislature appropriates general funds to state agencies to serve as match for federal funds. The state agencies (primarily the Department of Human Services [DHS] and Department of Economic and Community Development [DECD]) then use these federal and state funds to contract with PDDs (and in some cases with other entities) to provide services. In the case of the two state business financing revolving loan programs administered by the PDDs, however, the state's assistance has been more direct. The Legislature has allowed the PDDs to participate in managing these loan programs at the local level and authorized the issuance of bonds to support the programs. The PDDs are also funded by their member local governments through dues and contracts for services. Also, the PDDs continue to play a key role in the state's economic development activity through providing technical assistance and services to their member communities.

Human Service Programs

Although human service delivery is a relatively new role for PDDs as previously described, human service programs comprise the largest component of revenues received by PDDs. As shown on Exhibit 4, page 9, federal revenues for nine PDDs for child care and family support (\$13,915,133), aging (\$12,561,745), and employment support and training programs (\$10,377,545) totaled \$36,854,423 in fiscal year ending September 30, 1996. (The tenth PDD, North Delta, is not included in Exhibit 4 because its FY 1996 audit is not yet completed. North Delta's FY 1995 audit disclosed that the Mississippi Department of Human Services [DHS] had questioned over \$900,000 in grant costs which DHS has referred to the Attorney General's Office for collection. See page 33 for additional discussion.) PDDs received additional state and local revenues for human services during the fiscal year which are not earmarked in Exhibit 4 because the audits did not categorize the state and local funds by program. Excluding any state and local revenues, the \$36,854,423 in federal child care, aging, and employment support and training revenues alone totaled 55% of PDDs' total FY 1996 revenues of \$66,460,988. (Appendix B on page 64 outlines the total revenues and expenses for nine PDDs, and Appendix C on page 65 gives details of federal revenues by specific program for each of the nine PDDs, as reported in PDD FY 1996 audits.)

The major human service programs administered by PDDs are described on Exhibit 5, page 10, categorized by child care (consisting of

Exhibit 4
Summary of Audited Financial Statements of Nine
Mississippi Planning and Development Districts
Fiscal Year Ending September 30, 1996

| | <i>Total for Nine PDDs</i> |
|--|---------------------------------------|
| <i>Federal Grants</i> | |
| <i>Child Care and Family Support Programs</i> | <i>\$13,915,133</i> |
| <i>Aging Programs</i> | <i>12,561,745</i> |
| <i>Employment Support and Training Programs</i> | <i>10,377,545</i> |
| <i>Other Federal Programs</i> | <i>4,657,343</i> |
| Total Federal Grant Revenues | <u>\$41,511,766</u> |
| <i>State Grants</i> | |
| <i>MBE and MSBAP Loan Program Grants</i> | <i>\$6,899,243</i> |
| <i>Other State Grants (a)</i> | <i>3,942,986</i> |
| Total State Grant Revenues | <u>\$10,842,229</u> |
| Total Local and Program Revenues | <u>\$14,106,993</u> |
| Total Revenues | \$66,460,988 |
| Total Expenses (b) | <u>\$57,971,165</u> |
| Excess Revenues Over Expenses (c) | <u><u>\$8,489,823</u></u> |

NOTES:

(a) Consists largely of state matching funds from the Mississippi Department of Human Services.

(b) The North Delta PDD audit is not complete. NDPDD estimated FY 1996 expenditures to be \$4.2 million.

(c) Large revenues in excess of expenses resulted for some PDDs because during FY 1996 they received large amounts of loan grant funds, which are not treated as expenses when loaned out.

SOURCE: *PEER analysis of PDD FY 1996 audits and financial records.*

Exhibit 5
Description of Human Services Programs Administered by
Mississippi Planning and Development Districts (PDDs)

| Type of Service | Federal and State Funding Agencies | Major Federal Programs | Purpose of Program and Service Delivery Methods |
|--|--|---|--|
| Child and Family Support | U.S. Department of Health and Human Services; MS Department of Human Services | • Child Care and Development Block Grant | • Assists low-income families in meeting the costs of child care, enabling them to stay on the job and make a living for the family or train for a job. |
| | | • Family Support Payments to States/ Transitional Child Care--now known as Temporary Assistance to Needy Families (TANF) | • Provides child care payments to families who are TANF participants and for twelve months to former TANF clients who have become employed and are no longer eligible for TANF. |
| | | | • For both programs, issues or subcontracts for issuance of certificates to eligible recipients for child care services; pays child care providers monthly. |
| Aging | U.S. Department of Health and Human Services; MS Department of Human Services | • Title III Special Programs for the Aging • Title V Senior Community Service Employment Program • Title XX Social Services Block Grant • Designated as Area Agencies on Aging by MDHS | • Provides home-delivered meals, transportation, adult day care and employment, homemaker services, Medicaid Waiver (alternative to nursing home care), legal, and other services. • Subcontracts services to community-based organizations. |
| Employment Support and Training | U.S. Department of Health and Human Services; MS Department of Human Services | • Job Opportunities and Basic Skills (JOBS)/ Temporary Assistance to Needy Families (TANF) | • Assists needy families with children in obtaining education, training, child care, supportive services, and employment to help them avoid long-term welfare dependency. • Subcontracts services to community-based organizations and child care agencies. |
| | U.S. Department of Labor | • Job Training Partnership Act (JTPA) passed through MS Department of Economic and Community Development | • Provides job training and services to eligible adults and youth. • Subcontracts services to educational and community-based organizations. |

SOURCE: PEER analysis of program documents.

Child Care and Development Block Grant and Temporary Assistance to Needy Families [TANF]), aging, and employment support and training (consisting of Job Opportunities and Basic Skills [JOBS] and Job Training Partnership Act [JTPA] funds). Although the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 replaced the JOBS program with TANF funds, the PDDs do not anticipate any major changes in program operation.

Economic Development Programs

To support economic development activities that foster business creation and infrastructure, local communities obtain funding from several federal and state agencies, local governments, and the private sector. The PDDs are involved in economic development programs that assist business and industry and help communities construct and maintain community facilities, housing, transportation systems, utilities, and public works. The PDDs, through various federal and state loan programs, directly fund businesses and industry. The PDDs indirectly affect the local economies by providing technical assistance services to communities to obtain grants and loans from various federal and state economic development programs.

Four Major Loan Programs

PDDs are involved in at least six lending programs, including the Appalachian Regional Commission revolving loan program available to several northeastern Mississippi PDDs and the 504 Certified Development Company Loan Program, offered by the U. S. Small Business Administration (SBA). PDDs make 504 loans, which are guaranteed by the SBA, through two non-profit corporations affiliated with PDDs in the state.

PEER reviewed four major loan programs for purposes of this review, including the:

- U. S. Department of Commerce Economic Development Administration revolving loan fund, administered by all PDDs;
- Mississippi Small Business Assistance loan program, administered by all PDDs;
- Minority Business Enterprise loan program, administered by all PDDs; and,
- Farmers Home Administration Intermediary Relending Program, administered by five PDDs.

Exhibit 6, page 13, outlines the four major loan programs administered by PDDs, including program description, funding sources, and amounts received by the PDDs for the programs from state and federal sources. Exhibit 7, page 14, provides the details of the bond issues of the two state loan programs financed by general obligation bonds of the State of Mississippi.

The loan program assets held by the PDDs totaled \$41,881,573 for the fiscal year reporting June 30, 1997, for three of the programs and \$16,286,684 for the fiscal year reporting September 30, 1996, for the fourth program. Exhibit 8, page 15, shows the assets of the PDDs for each of the four loan programs. Appendix D, page 67, outlines the total assets of the four programs for each PDD.

Technical Assistance Services

In addition to granting state and federally funded loans directly to business and industry, PDDs assist their member communities in obtaining loans and grants from the primary federal and state agencies whose programs provide economic development assistance. Exhibit 9, page 16, lists the primary federal and state economic development programs in which the PDDs provide assistance to local governments in obtaining needed funding and provides information on program purpose and types of projects funded. Exhibit 10, page 17, outlines types of PDD assistance to local governments in obtaining economic development grants and loans, including amounts awarded by program. For example, in FY 1997 the PDDs, through technical assistance services, helped their member communities receive funding for 281 projects, totaling \$130,740,411. While this funding assists communities in meeting economic development needs, the local communities also share the responsibility for financing projects.

For example, the total project costs of one of the 281 projects funded in 1997 was \$600,000. This amount consisted of a Community Development Block Grant award for \$450,000 and \$150,000 of local matching funds. Matching funds contributed by local communities complement state and federal dollars to allow funding of more projects. As indicated in Exhibit 10, the PDDs' technical assistance services to local governments consist of the following:

- *Providing comments on federal applications for funds subject to the intergovernmental review process.* This is required in order for local communities to obtain funding on applications submitted to the U. S. Department of Agriculture, U. S. Department of Commerce's Economic Development Administration (EDA), and the Appalachian Regional Commission (ARC).

Exhibit 6
Descriptions of Four Major PDD Loan Programs

| Loan Program | Funding Received by PDDs Since Program Inception | Program Purpose | Funding Source |
|--|---|--|--|
| Title IX Economic Adjustment Program Revolving Loan Fund | \$11,395,000 in EDA funds and \$3,475,671 in local matching funds | To stimulate business investment and productivity in areas of economic distress (which resulted in the area becoming eligible for Title IX assistance) | Grant from the U.S. Department of Commerce Economic Development Administration (EDA) |
| Intermediary Relending Program (IRP) | \$11,470,081 | To finance business facilities and community development in rural areas | Loan from the U.S. Department of Agriculture Farmers Home Administration |
| Minority Business Enterprise (MBE) | \$6,951,019 | To assist in financing minority economic development (recipients are defined as socially and economically disadvantaged small business concerns, which can include women) | State of Mississippi Taxable General Obligation Bonds |
| Mississippi Small Business Assistance (MSBA) | \$20,527,806 | To provide assistance for job creation and retention by financing small businesses with less than 100 employees, less than \$2 million in net worth, or less than \$350,000 in net annual profit after tax | State of Mississippi Taxable General Obligation Bonds |
| Total | <u>\$53,819,577</u> | | |

SOURCE: PEER analysis of program documents.

Exhibit 7
Description of Taxable General Obligation Bond Issues for Loan
Programs Financed by the State of Mississippi and Administered by
Planning and Development Districts (PDDs)
as of June 30, 1997

| Name of Loan Program and Bond Issue | Total Amount Issued for PDDs and Other Entities | Amount Received by PDDs | Date of Bonds |
|---|--|--|--------------------------|
| <i>Minority Business Enterprise</i> | | | |
| Mississippi Farm Reform Act | | | |
| Series A | \$2,000,000 | | 4/1/91 |
| Series C | 2,000,000 | | 10/1/92 |
| Series F | 2,000,000 | | 5/1/94 |
| Series K | 2,000,000 | | 9/1/95 |
| Series L | 1,000,000 | | 9/1/96 |
| Series M | <u>1,000,000</u> | | 3/1/97 |
| Total MBE | \$10,000,000 | \$6,951,019 | |
| <i>Mississippi Small Business Assistance</i> | | | |
| Small Business Assistance Act | | | |
| Series A | \$12,000,000 | | 9/1/93 |
| Series B | <u>12,000,000</u> | | 9/1/95 |
| Total MSBA | <u>\$24,000,000</u> | <u>\$20,527,806</u> | |
| Total Programs | <u>\$34,000,000</u> | <u>\$27,478,825</u> | |

SOURCE: PEER analysis of Bond Advisory Division reports and PDD semi-annual program reports.

Exhibit 8
Schedule of Assets for Planning and Development Districts
for Four Major Loan Programs

As of June 30, 1997

Mississippi Small Business Assistance

| | |
|-----------------------------|---------------------|
| Loans Outstanding | \$18,011,319 |
| Funds Available for Lending | 4,439,592 |
| | <u>\$22,450,911</u> |

Minority Business Enterprise

| | |
|-----------------------------|--------------------|
| Loans Outstanding | \$5,498,343 |
| Funds Available for Lending | 2,028,746 |
| | <u>\$7,527,089</u> |

Farmers Home Administration

| | |
|-----------------------------|---------------------|
| Loans Outstanding | \$9,353,225 |
| Funds Available for Lending | 2,550,348 |
| | <u>\$11,903,573</u> |

| | |
|---|----------------------------|
| Total for Loan Programs with a Reporting Date of June 30, 1997 | <u><u>\$41,881,573</u></u> |
|---|----------------------------|

As of September 30, 1996

Economic Development Administration

| | |
|--|----------------------------|
| Loans Outstanding | \$13,197,971 |
| Funds Available for Lending | 3,088,713 |
| | <u>3,088,713</u> |
| Total for Loan Programs with a Reporting Date of September 30, 1996 | <u><u>\$16,286,684</u></u> |

NOTE: This schedule of assets was calculated by analyzing PDD regulatory reports and does not include any assets which may exist such as accrued interest receivable which are insignificant in amount.

SOURCE: 1996 and 1997 loan fund reports to state and federal authorities.

Exhibit 9

Description of Economic Development Programs Which PDDs Provide Related Technical Assistance Services

| Program | Funding Agency | Purpose | Types of Projects Funded |
|---|--|--|---|
| Rural Business Enterprise Grants | U.S. Department of Agriculture | Grants to facilitate development of small and emerging private business enterprises in rural areas. | Small business development |
| Water and Waste Disposal Loans | U.S. Department of Agriculture | Loans are made through the Rural Utilities Service to develop and improve water and wastewater systems in rural areas. | Water and waste disposal facilities, i.e., sewer lines and treatment plants |
| Water and Waste Disposal Grants | U.S. Department of Agriculture | Grants are made through the Rural Utilities Service to develop and improve water and wastewater systems in rural areas. | Water and waste disposal facilities, i.e., sewer lines and treatment plants |
| Community Facility Loans | U.S. Department of Agriculture | The Rural Housing Service is authorized to make loans in rural areas to develop essential community facilities. | Community facilities improvement |
| Multi-Family Housing Loans | U.S. Department of Agriculture | Rental Housing Loans are made through the Farmers Home Administration (FmHA) to provide decent homes in suitable living environments for persons with low and moderate incomes and for those age 62 and older. | Building, purchasing, or repairing rental housing in rural areas |
| Urbanized Area Transportation Planning Process | U.S. Department of Transportation (administered by the MS Department of Transportation) | Certification of a federally mandated Urbanized Area Transportation Planning Process is required for continued receipt of federal funds. | Streets, highway, mass transportation |
| Economic Development Administration | U.S. Department of Commerce, Economic Development Administration | To alleviate the conditions of persistent unemployment and underemployed in economically distressed regions. | Industry attraction, business expansion |
| Appalachian Regional Commission | Appalachian Regional Commission | Area development projects address the creation of new jobs and private investment in the Appalachia region. | Water and sewage, housing, small business development |
| Community Development Block Grants | U.S. Department of Housing and Urban Development (administered by the MS Department of Economic and Community Development) | To develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. | Water and sewage, access roads, streets, buildings and equipment |
| HOME Investment Partnerships Program (HOME) | U.S. Department of Housing and Urban Development (administered by the MS Department of Economic and Community Development) | To expand the supply of affordable housing, particularly rental housing for low and very low income persons. | Homeowner rehabilitation, new construction of rental units, tenant-based rental assistance |
| Capital Improvements Revolving Loan Program (CAP Loan) | MS Department of Economic and Community Development | To assist local communities in making capital improvements in areas such as fire improvement and water and sewer. | Fire protection (i.e., fire trucks and fire stations), buildings, water and sewer, access roads |

SOURCE: PEER analysis of program documents.

Exhibit 10
PDD Technical Assistance Services to Local Governments
by Economic Development Program

| Program | FY 1996 Projects Funded | FY 1996 Funding | FY 1997 Projects Funded | FY 1997 Funding | Description of PDDs' Technical Assistance Services |
|--|-------------------------------|--------------------|-------------------------------|--------------------|---|
| U.S. Department of Agriculture | | | | | |
| Rural Business Enterprise Grants* | 6 | \$3,244,825 | 3 | \$1,282,000 | Provided review and comment on all applications as required for federal funding |
| Water and Waste Disposal Loans* | 46 | \$16,638,600 | 48 | \$18,488,700 | |
| Water and Waste Disposal Grants* | 43 | \$14,228,300 | 37 | \$16,723,300 | |
| Community Facility Loans* | 8 | \$7,279,900 | 7 | \$2,510,900 | |
| Multi-Family Housing Program (loans)* | 12 | \$3,823,570 | 11 | \$3,574,463 | |
| U.S. Department of Transportation | | | | | |
| Transportation Funding* | 18 | \$10,658,882 | 29 | \$41,043,482 | As the Metropolitan Planning Organization, Central Mississippi PDD maintains the certified transportation planning process required for federal funding |
| U.S. Department of Commerce | | | | | |
| Economic Development Administration Grants* | 9 | \$6,367,690 | 10 | \$4,631,350 | Provided review and comment on all applications and prepared most applications |
| Appalachian Regional Commission | | | | | |
| Appalachian Regional Commission Grants* | 16 | \$2,382,350 | 28 | \$5,232,938 | Provided review and comment on all applications and prepared most applications |
| U.S. Department of Housing and Urban Development | | | | | |
| Community Development Block Grants** | 53 | \$15,638,365 | 74 | \$21,381,195 | Prepared applications and administered most projects*** |
| HOME Investment Partnership Program (HOME)** | 10 | \$2,578,031 | 9 | \$2,558,423 | Prepared applications and administered all projects*** |
| State funded program (administered by the MS Department of Economic and Community Development) | | | | | |
| Capital Improvements Revolving Loan Program (CAP Loan)** | 18 | \$7,510,053 | 25 | \$13,313,660 | Prepared applications and administered most projects*** |
| TOTAL | 239 | \$90,350,566 | 281 | \$130,740,411 | |

NOTES:

*The allocations are for federal fiscal years 1996 and 1997, 10/01 through 09/30.

**The allocations are for state fiscal years 1996 and 1997, 07/01 through 06/30.

***These allocations are for projects in which the PDDs assisted local governments through preparing applications and administering projects. These do not represent all projects funded in these periods.

SOURCE: PEER analysis of program documents.

- ***Developing and maintaining regional plans.*** As one of three Metropolitan Planning Organizations in the state, one PDD--Central Mississippi--maintains the certified transportation planning process required for continued federal funding from the U. S. Department of Transportation. Each PDD annually receives administrative grant funding from EDA for regional economic development planning (for additional information, see page 28). In addition, four PDDs designated as ARC Local Development Districts annually receive administrative grant funding to prepare and implement regional plans based on locally identified needs and priorities (see Appendix E, page 68). Appendix C, page 65, shows EDA and ARC administrative grant award amounts to the PDDs for FY 1996. PDD officials also attend public hearings held by DECD for obtaining input on regional development needs for incorporation into the annually required U. S. Department of Housing and Urban Development (HUD) plan.
- ***Preparing grant/loan applications and administering funded projects.*** The EDA and ARC administrative grant monies are also used by PDDs to prepare federal and state applications for funding for their member communities from EDA, ARC, HUD, and the DECD. Local governments may also contract with PDDs to administer some of the HUD and DECD funded projects.

Conclusions

PEER conducted field work to address the following primary questions regarding the state's planning and development districts:

- What are planning and development districts?
- Is there adequate oversight of PDDs to ensure that they are effective in accomplishing their primary public purpose and that they consistently maintain programmatic and fiscal integrity?
- Do PDDs ensure fairness in their loan programs by establishing clear and open procedures for the application process and for making potential applicants aware of the programs?

Characteristics of Planning and Development Districts

What are planning and development districts?

PDDs are private, nonprofit, nonshare corporations chartered to promote regional economic development, a public purpose. PDDs operate with close ties to state and local governing authorities. Their status as governmental service providers warrants legislative interest in their accountability for the use of public funds.

In arriving at the above conclusion, PEER sought the answers to several related, more specific questions:

What is the purpose of PDDs?

What are PDDs required to do?

Are PDDs public entities?

The following sections address each of these questions.

Purpose of PDDs

What is the purpose of PDDs?

PDDs were established primarily to promote regional economic development.

As previously discussed in the Background section of the report, the PDDs are chartered as private, nonprofit, nonshare corporations, having been issued their charters under the provisions of the Nonprofit

Corporation Act (MISS. CODE ANN. Section 79-11-101 et seq.) for the purpose of aiding and promoting civic improvement and economic development of their member counties. Thus the authority of the PDDs is derived from their respective charters of incorporation, by-laws, and policies as established by their respective boards of directors. Although the PDDs were established for the purpose of economic development, like most other states' regional organizations, they have expanded their initial economic development role to include human service program delivery.

Responsibilities of PDDs

What are PDDs required to do?

No Mississippi statutes mandate that PDDs perform any specific duties. However, state law makes several references to PDDs and several state agencies have designated PDDs as service providers and recipients of state and federal funds.

The Mississippi Legislature has neither passed enabling legislation nor made direct state appropriations for PDDs' operations. However, Governor John Bell Williams, through Executive Order No. 81, designated and recognized the ten existing non-profit corporations as the official sub-state regions and renamed them "planning and development districts." The Legislature has also referred to PDDs in the following MISSISSIPPI CODE sections related to funding and requiring oversight of two state loan programs, authorizing local government contributions, and requiring involvement in the development and maintenance of a statewide economic development plan:

- MISS. CODE ANN. Section 69-2-13 authorizes the Mississippi Business Finance Corporation (MBFC), which is staffed by DECD, to grant funds to planning and development districts and other qualified entities to establish loan programs for minority economic development. The section requires MBFC to establish criteria for the Minority Business Enterprise loan program and to review and approve each loan before it is made by a PDD or other qualified entity.
- MISS. CODE ANN. Section 57-10-501 et seq., which establishes the Mississippi Small Business Assistance loan program, authorizes DECD to grant funds to PDDs and other qualified entities to establish revolving loan funds and to assume management of the PDDs' loan programs if funds are not being managed properly. The statutes also require DECD to assist PDDs in complying with statutory loan criteria and reporting requirements and to implement rules and regulations. (Statutory language allowing

DECD's assumption of program management and requiring it to assist PDDs stands to be repealed on July 1, 2000.)

- **MISS. CODE ANN. Section 17-19-1 authorizes counties and municipalities to contribute any available funds to their respective PDDs which are not required for any other purpose.**
- **MISS. CODE ANN. Section 57-63-1 et seq. requires PDDs to assist the University Research Center's Bureau of Long Range Economic Development Planning in developing and maintaining an annual statewide economic development plan to be broad in scope, focused on quantifiable goals, and inclusive of minorities, agriculture, rural areas, international trade, and work force development. PDD involvement in this planning process requires:**
 - providing a representative to serve on the Special Task Force for Economic Development and Planning;**
 - holding public hearings for input on economic development goals;**
 - determining goals and local priorities and reporting on local resources available for goal achievement; and,**
 - submitting annually Overall Economic Development Plans as required by the U. S. Department of Commerce Economic Development Administration, along with the required work programs which describe accomplishments of the previous fiscal year and are to be incorporated into the overall statewide plan.**

Although the PDDs provide various programs and services, none are specifically required by law to be delivered through the PDDs. However, several federal and state agencies have designated the PDDs to provide certain programs and services. For example, the Mississippi Council on Aging (MCOA) (now the Division of Aging and Adult Services within DHS) designated the PDDs as Area Agencies on Aging for provision of Older Americans Act services to Mississippians age sixty and older. Also, the Governor has designated two PDDs (Central Mississippi and Three Rivers) as Job Training Partnership Act Service Delivery Areas to administer employment and training services at the local level to economically disadvantaged and dislocated workers. Such designations are in accordance with Executive Order 81, which requests federal and state agencies to recognize and use the boundaries of the PDDs in planning and program development activities. Additionally, all PDDs requested and received funding from DECD under legislatively authorized bond issues to make loans under the two state revolving loan programs, the Mississippi Small Business Assistance Program and the Minority Business Enterprise Loan Program.

Legal Status of PDDs

Are PDDs public entities?

PDDs are private, nonprofit, nonshare corporations chartered for a public purpose and serving as governmental service providers with close ties to state and local governing authorities in providing economic development programs and services. Their status as governmental service providers warrants legislative interest in their accountability for the use of public funds.

The legal status of PDDs has been addressed by various opinions issued by the Attorney General's Office and the Ethics Commission. Since the early 1980s, the primary position of various opinions issued by the Attorney General's Office is that PDDs are not public entities. They are chartered as private nonprofit corporations and are not units of the state or local government--i.e., political subdivisions. In a 1993 opinion, the Ethics Commission took a position that differs from that of the Attorney General. In that opinion, the Ethics Commission stated that PDDs are clearly instruments of government under MISS. CODE ANN. Section 25-4-103 (g) (v):

'Government' means the state and all political entities thereof, both collectively and separately, including but not limited to. . . (v) any department, agency, board, commission, institution, instrumentality, or legislative or administrative body of the state, counties or municipalities created by statute, ordinance or executive order including all units that expend public funds.

However, these opinions were prepared in response to specific questions about a specific case and are not intended to apply to other cases with different characteristics or to serve as statements of broad public policy. The Attorney General's and Ethics Commission's purpose in considering PDDs' legal status presumably was to determine whether some provisions of state law apply to PDDs in the same way that these provisions apply to state agencies and units of local government. For example, in 1984 the Attorney General's Office issued an official opinion to a member of the Madison County Board of Supervisors who questioned whether it was a conflict of interest to serve both as a county supervisor and member of a PDD board. The opinion concluded that the PDD was created as a private corporation and was not a unit of state or local government.

PEER's purpose in characterizing the PDDs is different from the Attorney General's Office and the Ethics Commission's purpose in considering PDDs' legal status. PEER's purpose is to determine how the Legislature, in its policymaking, budgeting, and government oversight capacities, should view PDDs. Because PDDs were chartered for a public purpose and spend large amounts of public money, most of which is

directed toward the PDDs by state agencies, the Legislature has a legitimate interest in oversight of PDDs. Also, because PDDs play a unique role in economic development activities, the Legislature has a legitimate interest in PDDs' collective potential for contributing to the state's economic well-being.

Adequacy of Oversight

Is there adequate oversight of PDDs to ensure that they are effective in accomplishing their primary public purpose and that they consistently maintain programmatic and fiscal integrity?

Oversight of PDDs is limited due to PDDs' status as nonprofit corporations. Although they were created to promote regional economic development, oversight of PDDs' effectiveness in improving the economy of individual districts and of the state as a whole is inadequate because no performance indicators have been developed at the state or regional level to be used in assessing PDDs' economic development impact. Also, oversight of PDDs' fiscal compliance is fragmented, consisting of federally mandated independent audits, legislative reviews of select program activities at specific PDDs, and state agencies' monitoring of PDDs' compliance with state and federal regulations.

The quality of state agencies' monitoring of PDDs varies; the Mississippi Department of Human Services has established an adequate process for monitoring the major programs it funds and the Mississippi Department of Economic and Community Development has established an adequate process for monitoring the PDDs' federally-funded Job Training Partnership Act program funds. However, the Department of Economic and Community Development has not adequately monitored PDDs' administration of state loan programs.

In arriving at the above conclusion, PEER examined oversight at a global level, as well as at a more specific, programmatic level, by seeking answers to the following questions:

Is there an oversight structure in place to ensure that PDDs are effective in accomplishing their primary public purpose, which is to promote regional economic development?

To what extent are PDDs' programs and finances overseen by state and federal agencies?

Oversight of PDDs' Effectiveness in Accomplishing Their Mission

In assessing the adequacy of the PDDs' oversight structure, PEER examined the availability of information on PDDs' effectiveness in

improving their regional economies, the purpose for which they were created. To determine whether any entity systematically collects information on outcomes of PDDs' economic development efforts, PEER examined PDDs' economic development plans, as well as statewide planning efforts. Regional and statewide plans provide the necessary structure for measuring outcomes of PDDs' efforts only if they specify development priorities and performance indicators or measurable objectives for assessing progress in achieving economic development. PEER sought to determine whether these fundamental components of a system for ensuring accountability in economic development were present in planning documents. If they had been developed, PEER would have examined the extent to which the districts and the state routinely collected and used outcome information to improve their development efforts.

Is there an oversight structure in place to ensure that PDDs are accomplishing their primary public purpose, which is to promote regional economic development?

Economic development planning efforts at the state and district levels have lacked prioritized goals and performance measures. As a result, neither state government agencies nor the PDDs have a mechanism for assessing the extent to which PDDs contribute to the state's economic development.

A coordinated, up-to-date, statewide economic development plan with prioritized goals and measurable objectives would provide a framework for overseeing the effectiveness of economic development entities, including PDDs. In 1987 the Legislature mandated the creation and annual updating of a state economic development plan, but the current lack of such a plan impedes the proper oversight of PDDs and other entities responsible for the state's development.

The Legislature passed the Statewide Economic Development and Planning Act of 1987 to establish a "monitoring, evaluation, reporting and accountability process" for economic development. The act states that "the prospective well-being of the people of the State of Mississippi requires that the economic development of the state should be strategically, comprehensively and exhaustively planned and that the plan be reviewed and continuously updated and systematically implemented."

The state planning act created the Bureau of Long Range Economic Development Planning (hereafter referred to as the bureau) within the Mississippi Institutions of Higher Learning's University Research Center and charged the bureau with responsibility for "preparing and maintaining with appropriate annual updates a long-range plan for the economic development of the state." The plan is to be broad in scope; focused on quantifiable goals; and inclusive of minorities, agriculture, rural areas, international trade, and work force development. Furthermore, the act

created a Special Task Force for Economic Development Planning to be appointed by the Governor and to be responsible for conducting needed research and assisting the bureau to establish measurable economic development goals. As noted on page 21, the state planning act specifically requires the PDDs, as a key player in economic development, to “be utilized fully” in the economic development planning process (MISS. CODE ANN. Section 57-63-25) by serving on the task force; holding public hearings for input; determining goals, local priorities, and reporting on local resources available for goal achievement; and submitting annually Overall Economic Development Plans along with the required work programs which describe the prior year’s accomplishments.

Adequacy of the State’s Economic Development Planning Statutes

- *The state’s economic development planning statute provides sufficient authority to key economic development players to permit them to conduct a statewide economic development planning process that includes all of the elements of effective planning.*

PEER reviewed the design and implementation of the state planning act to determine whether the state’s system for economic development planning incorporates a mechanism for ensuring that PDDs and other key economic development players are held accountable for contributing to the state’s economic development. To determine the comprehensiveness of the state’s economic development policy as provided by the state planning act, PEER compared the requirements of the act with key elements of an effective economic development strategic planning process: needs assessment, stakeholder input, mission, goals and objectives, and implementation. PEER also reviewed the state’s efforts to implement the state planning act and compared the state’s performance against the key elements. (See Exhibit 11, page 26, for the comparison and Appendix F, page 69, for a more detailed comparison.)

In comparing requirements of the act to the key elements of an effective economic development strategic planning process, PEER found that the planning process fully addressed most of the key elements. The Legislature has clearly provided authority for economic development to be strategically and comprehensively planned and that the plan be continuously updated and revised and systematically implemented. Although none of the elements of economic development planning have been fully addressed in the state’s implementation of the act, the authority exists in the legislation for their accomplishment through effective implementation of the planning process. The major problem PEER identified was the lack of systematic implementation of the state’s policy for economic development planning. Without full implementation of the act, no blueprint is available to guide the state’s development and to measure progress in achieving economic development goals.

Exhibit 11

Assessment of the Statewide Economic Development and Planning Act (SEDPA) Requirements with Key Strategic Planning Elements for Economic Development and How the State is Performing Against the Key Elements

| Key Elements | Key Elements of Economic Development Planning | Are the Key Elements Addressed by SEDPA? | Have the Key Elements Been Addressed by the State? |
|------------------------------|---|---|---|
| Needs Assessment: | Begins with an assessment of the current economic environment which includes identifying key economic development players and reviewing their existing planning efforts, analyzing trends that could impact the planning process, and identifying key development issues. | Partially. The act requires various analyses to identify trends and issues that affect economic development, including identifying key economic development players. The act does not specify review of the existing planning efforts of the key players. MISS. CODE ANN. Sections 57-63-23, -25 | Partially. As the initial planning documents prepared by the bureau and the first task force in the late 1980s have not been updated or revised as required, this element has not been fully addressed. The initial planning documents did involve various analyses, including identifying key players. However, the analyses did not involve detailed review of existing planning efforts by the key players. |
| Stakeholder Input: | Involves soliciting broad input from various stakeholders (i.e., citizens and public and private sector leaders) for building consensus on mission, goals, and objectives and ownership of the plan. | Yes. The Special Task Force for Economic Development Planning (task force) is to include broad representation. Prior to goal adoption, a public hearing is to be held in each PDD to receive input. MISS. CODE ANN. Section 57-63-11, -21 | Partially. As the initial planning documents prepared by the bureau and the first task force in the late 1980s have not been updated or revised as required, this element has not been fully addressed. However, the first task force was broadly represented. In addition, the bureau and task force provided various opportunities for stakeholder input during their initial planning efforts. |
| Mission: | Requires articulating a clear mission statement that guides the planning process. | Yes. The legislative intent is to provide a vision to encourage an environment conducive to entrepreneurship and rapid development of the state. MISS. CODE ANN. Section 57-63-3 | No. As the initial planning documents prepared by the bureau and the first task force in the late 1980s have not been updated or revised as required, this element has not been fully addressed. The initial planning documents reveal no clear mission statement. |
| Goals and Objectives: | Involves stakeholder input on identifying, selecting, and prioritizing goals and developing quantifiable objectives to serve as performance measures for monitoring progress toward goal achievement. | Partially. The act requires identification of specific, quantifiable state economic development goals to include public input prior to adoption. The act does not specify the need to prioritize goals. MISS. CODE ANN. Sections 57-63-17, -21, -25 | Partially. Although the bureau and the first task force initial planning efforts involved stakeholder input and related planning documents included goals, the goals were not prioritized or measurable. |
| Implementation: | Includes identifying resources needed to achieve economic development goals and objectives, assigning specific responsibilities and schedules, and establishing an oversight system that consists of monitoring and evaluation, and updating the strategic plan. | Yes. The act establishes a Bureau for Comprehensive Long Range Economic Development Planning (bureau) within the University Research Center (URC) and creates a Special Task Force for Economic Development Planning (task force) to develop and maintain a long range economic development plan. In developing and maintaining the plan, the act requires identifying resources needed to achieve economic development goals, assigning specific responsibilities and schedules, and establishing an oversight system that consists of monitoring and evaluation, and updating the strategic plan. MISS. CODE ANN. Sections 57-63-3, -9, -11, -17,-37 | Partially. Since the passage of the act in 1987, no long range economic development plan has been updated or revised. During the late 1980s, the bureau and task force did develop several economic development planning type documents. In 1991, the Institutions of Higher Learning (IHL) discontinued allocating funds to the bureau for coordinating the development and annual updating of the long-range plan. The URC has been receiving and incorporating required work programs into an annual Economic Development Report (includes the work programs submitted by the PDDs) that is submitted to the Joint Legislative Budget Committee. However, this information has not been summarized in a form that would be useful to the Legislature and has not been used to update the economic development plan. In FY 1997, based upon IHL's request, the Legislature appropriated \$370,000 to IHL for the planning function. The Governor also recently re-appointed the task force. |

SOURCE: PEER analysis of program documents and interviews.

Status of the State Long-Range Plan

- *IHL's Bureau of Long Range Economic Development Planning, which is responsible for coordinating the development and annual updating of the long-range plan, has not updated the plan since its development in 1988.*

Since passage of the act in 1987, the bureau has not updated or revised any long-range economic development plan. However, as part of the required oversight system, the bureau established a format for the entities involved in economic development activities to use in preparing the required work programs which cover the previous year's accomplishments and one- and five-year plans. Although the bureau has been receiving and incorporating the work programs into an annual Economic Development Report that is submitted to the Joint Legislative Budget Committee, the information contained in the work programs has not been summarized in a form that would be useful to the Legislature and has not been used to update the statewide economic development plan.

In 1991, IHL discontinued allocating funds to the bureau for coordinating the development and annual updating of the long-range plan. In FY 1997, based upon IHL's request, the Legislature appropriated \$370,000 to IHL for the planning function. The task force was also recently reactivated by Governor Fordice. The first meeting of the newly appointed task force was held September 17, 1997. During this initial task force meeting, members of the task force recognized the importance of planning in the success of any important endeavor.

The bureau and task force are currently reviewing previous economic development planning documents as a starting point to preparing a comprehensive and coordinated statewide plan for economic development.

Measurable Goals and Objectives in the State Plan

- *State economic development planning documents lack the measurable goals and objectives required by law. As a result, no standards are available for use in measuring state and regional progress toward improving the state's economy.*

MISS. CODE ANN. Section 57-63-17 charges the Special Task Force for Economic Development Planning with assisting the Institutions of Higher Learning's University Research Center in "setting measurable, achievable and significant state economic development goals." To provide the Legislature with evaluative information on accomplishment of these goals, MISS. CODE ANN. Section 57-63-33 requires the University Research Center to report annually to the Joint Legislative Budget Committee through a

presentation, which “shall review the established goals and report and assess progress for the current reporting period of achieving official goals and make recommendations for any program changes that might be needed.” In this way, the University Research Center is expected to provide to the Legislature and the public the information needed to determine whether development activities implemented by the state’s economic development entities, including PDDs, are measurably impacting the state’s economy.

The bureau and task force developed several economic development planning documents shortly after the passage of the act. In December 1988, the bureau issued an economic development report entitled *Long-Range Economic Development Plan for Mississippi*. In December 1989, the task force issued an economic development document entitled *Seizing the Future: Commitment to Competitiveness* based on a series of reports developed by four committees (finance; economic process; human resources; and government, legal, regulatory, and infrastructure) and public input solicited via surveys and focus groups held throughout the state. However, these initial economic development planning documents exclude key elements necessary for successful strategic planning: clearly articulated mission statements, prioritized goals, performance measures for monitoring progress toward goal achievement, and detailed implementation steps. As a result, during the past decade the key economic development players in the state have conducted their planning efforts without a central focus or common goals as should have been established in the statewide economic development plan. This leads to the potential for overlap, duplication, and ineffective use of limited resources.

Measurable Goals and Objectives in Regional Plans

- *PDDs’ regional economic development planning documents also lack measurable goals and objectives, which are required by federal guidelines.*

The U. S. Department of Commerce requires PDDs to submit economic development plans to the department’s Economic Development Administration (EDA) as a condition for continuing to receive assistance from EDA programs. The PDDs must update these plans at five-year intervals. (See Appendix G, page 71, concerning these plans.)

The Economic Development Administration requires PDDs to include measurable objectives in their planning documents. EDA’s “Guidelines for Economic Development Districts” state:

Whenever possible, objectives should be quantitative. A goal identifies what the community would like to attain; an objective quantifies a goal and should include a time element. Objectives provide the basis for selecting program strategies to

achieve the related goal and serve as milestones toward accomplishing these goals. They provide benchmarks by which . . . area officials can measure performance.

Although Economic Development Administration guidelines require that objectives be quantifiable whenever possible, the PDDs' regional economic development plans contain no measurable objectives. Because the economic development plans also lack prioritized goals, the PDDs cannot use them to determine their effectiveness in improving the regional economy.

Oversight of PDDs' Programs and Finances

In addition to identifying outcome measurement systems for assessing PDDs' effectiveness, PEER looked for evidence of two additional components that might be present in a basic system of oversight for entities that are created to serve a public purpose: standard governmental controls and routine, systematic program reviews. Because PDDs are private corporations, their oversight systems cannot be expected to include the controls that are common in state and local governments (e.g., uniform statutory controls over purchasing and personnel). However, the PDDs' exclusion from the uniformity imposed by state controls has implications for state agencies doing business with PDDs. The issue of applicability of governmental controls imposed by statute is relevant to PDD oversight because PDDs' administrative overhead can affect state and federal costs through indirect cost provisions in state agency contracts with PDDs. For this reason, PEER includes a discussion of statutory controls in this section on oversight of programs and finances.

To what extent are PDDs' programs and finances overseen by state and federal agencies?

Because PDDs are private, nonprofit corporations, federal and state agencies review specific programs, but no agency routinely oversees the districts' programs or finances on a comprehensive basis. Also, PDDs are not subject to state pre-audit or personnel management controls and they are not statutorily required to comply with state purchasing laws. As a result, state policymakers cannot assume the presence of controls and oversight comparable to those found in the public sector when contracting with or administering programs through PDDs.

Routine Fiscal Oversight Across Program Lines

- *Routine federal fiscal oversight that crosses program lines is limited to annual financial audits required by federal regulation and conducted by certified public accountants selected by the PDDs.*

As noted above in the Background section of this report (pages 4 through 18), PDDs receive funding from a variety of federal programs administered by several federal agencies. Although each federal agency has its own procedures for monitoring the programs it administers, only the U. S. Department of Commerce, in its capacity as the cognizant federal agency over all PDDs, is authorized to cross program lines in monitoring PDDs. (Pursuant to the Single Audit Act of 1984 [amended in 1996], the Office of Management and Budget designated the U. S. Department of Commerce as the cognizant federal agency responsible for oversight of the PDDs. The U. S. Department of Commerce assigned oversight responsibilities for PDDs to its Office of Inspector General and the Economic Development Administration.) That is, only the Department of Commerce's Inspector General has authority to review PDD expenditures for all federal programs, not just for economic development programs funded by the Department of Commerce. The Department of Commerce's Office of Inspector General staff audit PDDs when departmental staff have questions about programmatic or fiscal management, but staff do not routinely audit all PDDs.

Although no federal agency, including the Department of Commerce's Inspector General, routinely (e.g., annually) conducts a comprehensive review of PDD finances across all programs, the federal government requires PDDs to contract with independent certified public accountants on an annual basis to audit the PDDs' financial statements and review their internal controls.

Reports by these auditors, who are selected by the PDDs, provide a broad picture of the financial health of each PDD and some assurances about their internal control structures and compliance with requirements of the programs supplying the funds. However, these audits do not give any assurances regarding the effectiveness of these programs. Appendix H, page 72, lists the types of information provided in independent auditors' reports.

Two state agencies that routinely contract with PDDs, the Mississippi Department of Human Services and the Mississippi Department of Economic and Community Development, reported to PEER that they review PDDs' independent auditors' reports. However, their reviews are restricted to monitoring the specific program areas for which their agencies are responsible. (See "State Agencies' Review of Independent Auditors' Reports," page 40.)

Governmental Controls

- *Although PDDs contract with state agencies to spend state appropriated funds, PDDs, like other private corporations contracting with the state, are not required by statute to comply with pre-audit, personnel, purchasing, and other regulations with which most state agencies must comply.*

The quasi-public nature of PDDs may lead policymakers and the general public to assume incorrectly that PDDs are subject to governmental controls such as the following types of requirements:

- that an agency's expenditures be pre-audited by the state fiscal officer to ensure that they comply with the agency's spending authority;
- that the agency's financial transactions and records, as well as the agency's property inventory, be routinely audited by the State Auditor; and,
- that the agency's positions and salaries, as well as its personal and professional service contracts, be approved by the State Personnel Board.

State law imposes none of these controls (pre-audit by a state agency, post-audits and property audits by the State Auditor, or State Personnel Board controls) on PDDs. (See Appendix I, page 74, for a comprehensive list of state oversight controls.)

These state controls help prevent waste and abuse of public funds by, for example, deterring excess in salaries and extravagance in purchasing. However, absence of these state controls does not necessarily suggest wastefulness because the PDD boards of directors and staff may individually implement their own controls. The scope of PEER's review, which focused on external oversight, did not include an examination of the controls that individual PDDs impose upon their own operations.

Because few of the statutory provisions in Appendix I apply to PDDs, however, the public benefits of state oversight and control may not be realized uniformly unless state agency contracts and agreements with PDDs incorporate explicit accountability standards. As noted on page 33, the Mississippi Department of Human Services (DHS) requires PDDs to adhere to some state purchasing and travel requirements for expenditure of contractual funds received through DHS. However, neither DHS nor any other state agency requires PDDs or other contractors to comply with other state agency regulations, such as a personnel merit system or a uniform salary schedule. Also, the controls that local governments adhere to do not apply to the PDDs due to their private nonprofit corporation status.

In the absence of uniform standards, taxpayers have no assurance that PDDs consistently attempt to control costs. A PDD's efficiency is among the factors affecting the total cost paid by state agencies in their contracts with PDDs. Without thoroughly reviewing a PDD's operations, determining the likely effect of that PDD's policies and procedures on the cost and effectiveness of a proposed grant or contract, and including all necessary controls in contracts and other agreements, a state agency cannot ensure that the minimum necessary controls are in place to protect public funds.

Programmatic and Fiscal Reviews by State Agencies

- *Although the Mississippi Department of Human Services and the Mississippi Department of Economic and Community Development monitor specific programs provided by the PDDs, the quality of this oversight varies and no state agency provides routine, comprehensive oversight of the fiscal integrity of the PDDs.*

To arrive at this conclusion on the scope and adequacy of programmatic and fiscal reviews conducted by state agencies, PEER examined state agency oversight of major human service programs, including several DHS programs and DECD's job training program. PEER also examined DECD's oversight of the PDDs' administration of the two state loan programs.

- *The Mississippi Department of Human Services has reasonable procedures for ensuring fiscal and programmatic oversight of major human service programs contracted with the PDDs.*

The Mississippi Department of Human Services (DHS) has administrative and oversight responsibilities for several major human service programs administered by and through the PDDs, which include child care (consisting of Child Care and Development Block Grant and Temporary Assistance to Needy Families [TANF]), aging, and employment support and training (consisting of Job Opportunities and Basic Skills [JOBS] and Job Training Partnership Act [JTPA] funds).

The Division of Program Integrity is a support division within DHS responsible for conducting programmatic and fiscal monitoring of the human service programs administered by subgrantees. The Division of Program Integrity's Office of Monitoring and Evaluation is required to monitor each subgrantee at least annually for compliance with state and federal requirements, DHS's policies and procedures, and subgrant/contract terms. The *1996 DHS Revised Subgrantee Manual*

provides policies, procedures, and administrative guidance to subgrantees on administrative hearings, applicable state and federal regulations, federally required annual financial audits, inventory management, monitoring, and travel. The only reference to state statutes concerns purchasing and travel. Monitoring procedures include identifying and monitoring needed corrective action. Also, division staff monitor a sampling of PDDs' contracts with service providers to ensure compliance.

Although division staff state that most PDD operational deficiencies are minor, through routine monitoring the division identified major fiscal and programmatic deficiencies at one PDD. A 1996 Investigative Audit Report of the North Delta Planning and Development District issued by DHS addresses fiscal and compliance issues of programs contracted with the North Delta PDD. The audit identified more than \$1.4 million in "questioned costs" and asked that the amount be refunded to the state by the PDD. Cited were major weaknesses in internal control procedures and violation of accounting principles in several major program areas: Title IV-A, At-Risk, Area Agency on Aging, Child Care, and JOBS. DHS later reduced the "questioned costs" to \$943,099. DHS has referred the North Delta case to the Attorney General. After requesting an administrative hearing, the North Delta PDD recently filed an injunction in Hinds County Chancery Court against DHS's efforts to collect the questioned costs. As a result of the audit, DHS has discontinued or reduced contracting for services with North Delta.

° The Mississippi Department of Economic and Community Development has established controls that should provide reasonable assurance that PDDs award, allocate, and expend Job Training Partnership Act funds appropriately.

One of the major human service programs administered by the PDDs is the Job Training Partnership Act (JTPA) program (as previously mentioned in the Background section, see page 11), which is funded through DECD. JTPA is intended to increase employment and earnings, to increase educational and occupational skills, and to reduce welfare dependency. JTPA services are provided in each state through local service delivery areas (SDAs) designated by state governors. Two of the five SDAs designated by the Governor in the state of Mississippi are PDDs, Central Mississippi and Three Rivers (see Appendix J, page 75). DECD's Employment Training Division has administrative and oversight responsibilities for the JTPA program. The division, as the administrative entity for the largest SDA that serves sixty-two counties (Mississippi SDA), contracts with eight PDDs within the sixty-two-county area to secure local input for the development of a required training plan.

The Employment Training Division is responsible for establishing procedures to assure the proper disbursement and accounting of JTPA funds and to ensure that all financial transactions are conducted and records

maintained in accordance with generally accepted accounting principles, as required by federal law. The division has established the following controls, which should provide reasonable assurance that JTPA funds are appropriately awarded, allocated, and expended:

- SDAs are required to develop job training plans that describe SDA financial management (e.g., internal controls and monitoring of service providers). The division has provided instructions to the SDAs for developing these plans and division staff review and approve the plans.**
- The division has issued various policies governing the use of JTPA funds by SDAs (e.g., procurement, cash management, and reporting policies).**
- SDAs are required to have audits of the use of JTPA funds completed by independent certified public accountants to ensure compliance with federal and state requirements.**
- The division conducts on-site visits to all SDAs at least annually to monitor compliance with federal requirements (e.g., awarding, allocating, and expending JTPA funds) and monitor correction of cited problems.**
- SDAs are required to submit monthly and quarterly financial reports to DECD's Administration Division that identify all program costs by cost categories. DECD reports this information to the U. S. Department of Labor.**

Division staff state that the SDAs have generally complied with most JTPA financial management and procurement requirements, with some minor exceptions. The division has assigned the SDAs with the primary responsibility for ensuring that JTPA monies are appropriately allocated and expended by SDA service providers and subcontractors. Division policy specifies that SDAs must develop monitoring plans that include provisions for annually monitoring all training-related service providers to ensure compliance with JTPA, state policy, and other requirements. Division staff annually monitor SDAs to determine whether the SDAs have monitored the fiscal and procurement practices of their service providers and to identify and monitor needed corrective actions.

- ° *In overseeing the two state-funded loan programs, DECD has established and revised guidelines for PDDs, reviewed PDD semi-annual reports, and provided technical assistance. However, DECD has not performed on-site monitoring of PDDs to determine whether they make loans in accordance with laws and regulations for state loan programs.*

The PDDs administer two state-funded loan programs--the Minority Business Enterprise program and the Mississippi Small Business Assistance loan program. The Department of Economic and Community Development has oversight authority for these two programs.

Minority Business Enterprise Loan Program--MISS. CODE ANN. Section 69-2-13 authorizes the Mississippi Business Finance Corporation to grant funds to planning and development districts and other qualified entities for loans to aid minority economic development. The section states that the PDDs shall make the Minority Business Enterprise loans consistent with criteria established by the Mississippi Business Finance Corporation and that the corporation shall review and approve each loan before it is made. The Business Finance Corporation is a non-profit corporation staffed by DECD and governed by a board of representatives from the public and private sectors. The corporation offers ten financing programs for companies located in Mississippi.

Mississippi Small Business Assistance Loan Program--The Mississippi Small Business Act (MISS. CODE ANN. Section 57-10-501 et seq.) which establishes the Mississippi Small Business Assistance Program, gives PDDs and other qualified entities sole authority over the approval of loans and management of the loan program, but assigns the following oversight responsibilities to DECD:

- granting funds to the PDDs to establish revolving loan funds and requiring reasonable assurances from the PDDs regarding their ability to manage the programs; and,
- declaring a PDD in default if it has determined that the PDD has made the loans or equity investments in a manner inconsistent with the statutes, at which time DECD has the authority to assume administrative and management control of the loan programs of a PDD and terminate additional funding to PDDs (stands repealed on July 1, 2000).

The statutes also require DECD to:

- assist PDDs in complying with requirements of the Mississippi Small Business Act, such as maximum administrative costs, repayment of losses in excess of fifty percent of grant funds to the state, preparing semi-annual reports, and making loans according to criteria (stands repealed on July 1, 2000); and,

- implement rules and regulations.

Exhibit 12, page 37, illustrates oversight and monitoring activities conducted by DECD and the Business Finance Corporation in their oversight of the two state loan programs administered by the PDDs. For comparative purposes, the exhibit also outlines the oversight activities conducted by FmHA and the Economic Development Administration for the Intermediary Relending Program and the EDA Revolving Loan Fund, respectively.

Because of oversight responsibilities assigned to DECD by state law, the agency should adopt procedures and policies to ensure adequate oversight of the state-funded Minority Business Enterprise and Small Business Assistance loan programs administered by the PDDs. Oversight should include establishing guidelines for PDDs, reviewing semi-annual reports of the PDDs to monitor the condition of PDD loan portfolios, offering technical assistance to PDDs in managing the programs, and performing on-site monitoring of PDDs. PEER found that DECD conducts these types of oversight except for on-site monitoring.

Guidelines. DECD establishes guidelines for management and operation of the two state loan programs and updates them periodically. Currently twenty entities in the state, including ten PDDs, administer these loan programs. DECD's guidelines for the programs include regulations and targeted loan criteria outlined in the statutes. These guidelines for the PDDs help DECD to ensure that the PDDs and other qualified entities which operate the state loan programs are aware of statutory requirements which should be enforced.

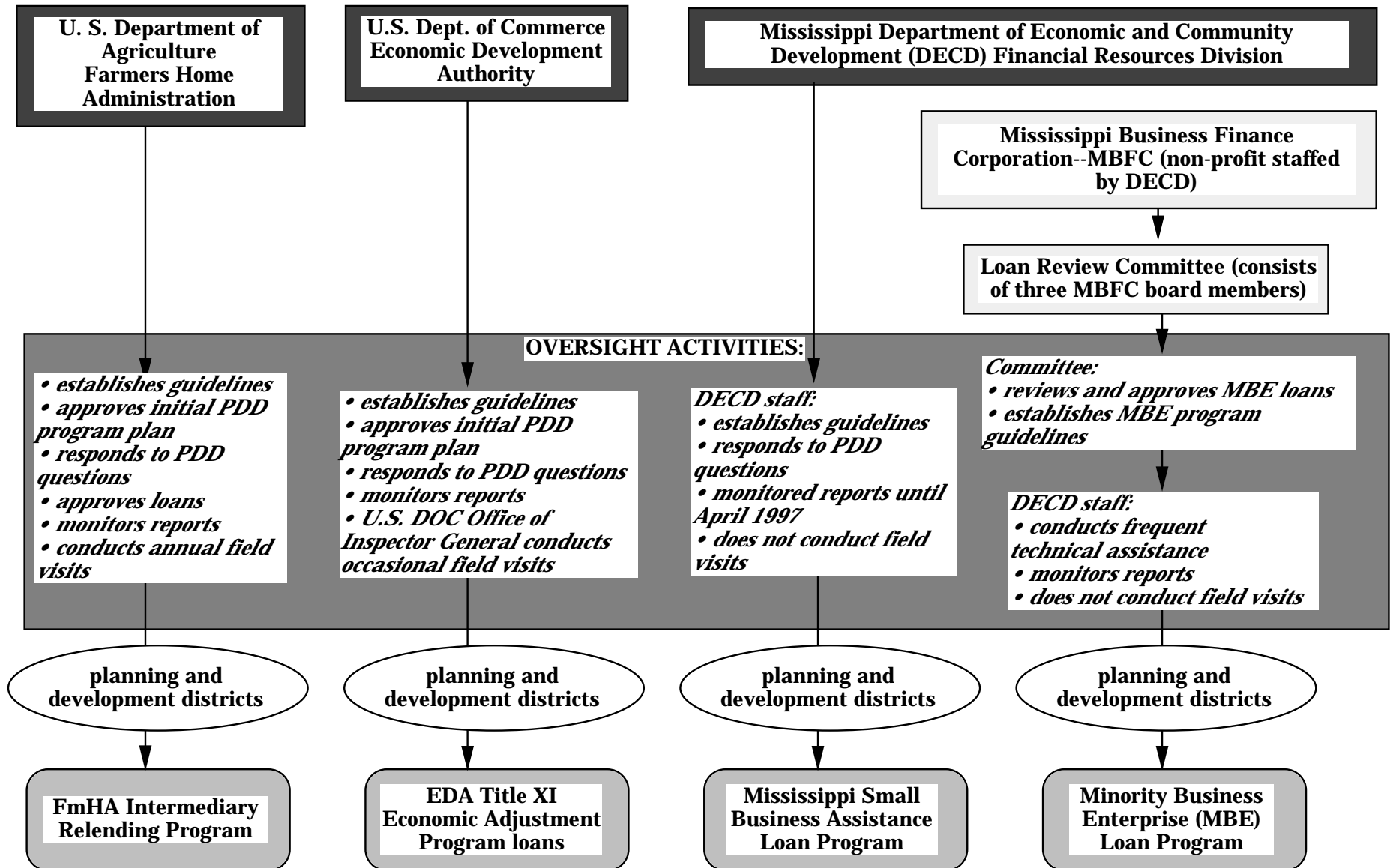
Report monitoring. According to DECD officials, the agency has monitored Minority Business Enterprise program and Mississippi Small Business Assistance program semi-annual reports:

- to determine the types of loans made;
- to review past-due loans and delinquencies as a percentage of the portfolio; and,
- to analyze loss percentages in view of the Mississippi Small Business Assistance statute requiring that PDDs repay funds to the state which are lost in excess of fifty percent of the portfolio.

The statutes assign more direct oversight authority to DECD officials for the Minority Business Enterprise loan program because the Business Finance Corporation, which is staffed by DECD, must approve all Minority Business Enterprise loans. DECD officials use semi-annual reports to

Exhibit 12

Federal and State Oversight and Monitoring Activities of Four Major Loan Programs Administered by Mississippi Planning and Development Districts



SOURCE: PEER analysis of agency interviews and documents.

summarize the status of the Minority Business Enterprise loan portfolios in management reports.

Although DECD does not have approval authority for Mississippi Small Business Assistance loans, CODE Section 57-10-511, originally enacted in 1993, required that PDDs send copies of their annual audits and a Small Business Assistance program semi-annual report on the status of the loan programs to DECD. (Upon five years after expiration of the initial grant, DECD could discontinue the semi-annual reports from the PDDs.) DECD officials stated that they originally reviewed the Small Business Assistance Program loan reports provided by the PDDs. However, they stated that in April 1997 they stopped monitoring the reports because an amendment enacted in the 1997 legislative session required that the semi-annual reports be sent to House and Senate committees rather than to DECD.

Although the statutory amendment may have caused some confusion initially as to the Legislature's intention regarding DECD's oversight role, DECD should request copies of the reports and continue monitoring them. The statute creating the program gives DECD authority to monitor the programs, especially through CODE Section 57-10-511 (h), which allows DECD to declare the PDDs in default if DECD does not believe the PDD is administering the funds properly and to assume management of the programs if necessary. The section originally stood to be repealed on July 1, 1997, and was extended to July 1, 2000, during the 1997 session. If the section is repealed, then statutory authority for DECD oversight will be greatly reduced. Because the Legislature has placed oversight authority of the PDDs with DECD at least until July 1, 2000, DECD should take steps to monitor the programs in a comprehensive manner, including review of the reports. Otherwise, DECD will not be able to monitor the positions of PDD loan portfolios as authorized by the statutes.

Technical assistance. DECD provides technical assistance to PDDs in their management of the loan programs, which provides PDDs with support in managing the programs as the Legislature intended. DECD and PDD officials stated that for the Minority Business Enterprise program, DECD works with PDDs daily in providing technical assistance, including providing advice in submission of loan applications to the Mississippi Business Finance Corporation loan review committee and offering suggestions in the monitoring of problem loans. The DECD Minority Enterprise Division also offers technical assistance directly to borrowers seeking assistance and directs them to the two programs at the PDDs.

DECD officials have also met with the technical advisory committee of the Mississippi Association of PDDs regularly to assist in administrative questions regarding the Minority Business Enterprise and Small Business Assistance programs. MISS. CODE ANN. § 57-10-517 gives PDDs sole authority over approval and management of Small Business Assistance loans, unlike the Minority Business Enterprise program, which requires

that the Business Finance Corporation (staffed by DECD personnel) approve those loans. DECD and PDD officials stated that, as a result of the different statutory oversight structure, DECD's technical assistance to PDDs for the Small Business Assistance program has not been as frequent, but that DECD personnel were available to assist PDDs as needed. Officials stated that PDDs requested assistance more frequently when the program was first established.

Officials stated that assistance provided by DECD to potential applicants themselves included:

- personnel of the Financial Services Bureau speaking at workshops held by entities around the state to explain Minority Business Enterprise, Small Business Assistance, and other loan programs; and,
- technical assistance to industrial borrowers in developing business plans provided by personnel of field offices of the DECD Existing Business and Industry Division (most technical assistance with business plans is provided by the more than twenty Small Business Development Centers funded by the federal Small Business Administration).

Field monitoring. Although federal agencies conduct on-site monitoring of PDDs' federal loan programs, DECD does not make field visits to PDDs to determine whether they make loans in accordance with laws and regulations for the state loan programs and good management practices. Field visits are the most effective method by which oversight authorities for loan programs can determine whether PDDs operate within regulations (such as adhering to interest rate requirements and loan recipient qualifications) and good management practices (such as monitoring borrower financial statements and sending past due notices on a timely basis).

FmHA conducts yearly field visits to PDDs to review loan files. Federal officials with responsibility for the Economic Development Administration program also conduct monitoring visits to PDDs, although on an infrequent basis. In one instance, the U. S. Department of Commerce Office of Inspector General reviewed Economic Development Administration programs at Southern Mississippi PDD and found that Southern Mississippi's reports to the Economic Development Administration had been misleading regarding the status of delinquent loans, job creation, and capitalization of the loan fund. The results of the September 1995 EDA review indicate that without a monitoring function, problems could exist in a PDD state loan portfolio without DECD's knowledge. On-site monitoring would give DECD the tools to identify potential problems implied by Section 57-10-511 (h), which gives DECD authority to assume management of problem portfolios.

DECD staff stated that they have not made field visits to PDDs and other entities qualified to administer state loan programs due to the lack of human resources available and due to doubts regarding the statutory authority provided for these activities. PEER interprets the statutes to give the authority for field visits as part of DECD's authority to declare PDDs in default, as discussed on page 35, and recommends that DECD assign staff accordingly. See recommendation 7 on page 60 for analyzing staff availability.

State Agencies' Review of PDDs' Independent Auditors' Reports

- *The Mississippi Department of Human Services and the Mississippi Department of Economic and Community Development review PDDs' independent auditors' reports for information on specific programs administered by those agencies. However, no state agency routinely examines all PDDs' independent audit reports to identify patterns across programs and districts related to use of public funds.*

In arriving at this conclusion on the oversight provided by state agencies' reviews of financial audit reports, PEER determined the extent to which the Department of Human Services, the Department of Economic and Community Development, and the State Auditor review the federally-required audit reports prepared for individual PDDs by independent auditors.

- *The Department of Human Services and the Department of Economic and Community Development have processes in place for receiving the PDDs' independent auditors' reports, reviewing the reports, and working with PDDs to correct problems in DHS- and DECD-funded programs.*

Representatives of the Department of Human Services and the Department of Economic and Community Development stated to PEER that their departments receive copies of the PDDs' independent auditors' reports, review those reports, and work with PDDs to correct problems. For example, in the Department of Human Services the Bureau of Audit and Evaluation, Office of Monitoring and Evaluation, conducts an initial review of the PDDs' audit reports. In that review the bureau uses an internally developed checklist to determine whether the audits have been conducted in accordance with the required standards, whether internal controls were adequate, and whether the independent auditor questioned any costs associated with DHS-funded programs. Once this preliminary review is completed, the bureau forwards the financial audit to the affected DHS program division and attaches a transmittal letter detailing the findings and procedures required to clear the findings. The bureau's transmittal letter to a DHS program division also asks the division to compare its award

amounts to the audited amounts to identify and resolve discrepancies between the awarded and audited amounts.

- ° *The Office of the State Auditor does not routinely receive copies of PDDs' independent auditors' reports, but the Office of the State Auditor annually reviews state agencies' (e.g., DHS's) detection and resolution of problems for a sample of major program subgrantees, which may include PDDs.*

A representative of the Office of the State Auditor told PEER staff that the Office of the State Auditor does not receive copies of PDD independent auditors' reports. However, the department samples subgrantees of major programs, such as those administered by DHS. If, for example, a PDD is included in the sample of DHS subgrantees, the Office of the State Auditor examines DHS records to determine whether DHS personnel have received audit reports, reviewed them, and resolved problems associated with the subgrantee's use of program funds.

Because PDDs use large amounts of public funds, including state appropriated funds, the public benefits when PDDs' internal controls are adequate, when their financial health is sound, and when state and local policy makers and the general public are well informed of the PDDs' propriety in accounting for and using public funds. An annual State Department of Audit review of PDDs' independent auditors' reports would enable the State Auditor to identify problems related to individual PDDs' financial soundness if problems exist and any patterns that might arise in properly accounting for federal, state, and local funds.

Legislative Oversight

- *Although no agency routinely oversees PDDs' programs or finances on a comprehensive basis, the Legislature has conducted a series of reviews of PDDs over the past twenty-one years to obtain information needed in carrying out the Legislature's policy-making and budget-setting responsibilities.*

In addition to this review, the Legislative PEER Committee has conducted five reviews of PDDs since 1976:

- a 1976 investigation of the Three Rivers Planning and Development District focusing on the district's use of federal and state funds;
- a 1977 review of the Southern Mississippi Planning and Development District focusing on use of federal, state, and local funds, particularly for payment of salaries and travel expenses;

- a 1986 review of the Inverness Nutrition Center, a program provided by the South Delta Planning and Development District in its capacity as a federally funded Area Agency on Aging;
- a 1989 review of programs for the aging provided by the Southwest Mississippi Planning and Development District and the Southern Mississippi Planning and Development District; and,
- a 1991 review of the revolving loan fund operated by the Northeast Mississippi Planning and Development District.

Several themes have recurred in PEER's reports on these five planning and development districts. In each report, PEER noted administrative or financial shortcomings, such as improper expenditures, inadequate internal controls, failure to monitor service provision by contractors, and possible violation of federal conflict of interest guidelines. In addition, in three of the five reports PEER specifically noted a lack of oversight of PDDs by executive agencies at the state level. Appendix K, page 76, contains summaries of the five PEER Committee reviews of PDDs.

Fairness of Loan Programs

Do PDDs ensure fairness in their four major loan programs by establishing clear and open procedures for the application process and for making potential applicants aware of the programs?

Although PDDs have developed procedures for avoiding conflicts of interest, ensuring program promotion to a wide audience, and establishing a clear and open application process, no single PDD had established all of the procedures that PEER considers necessary for fairness in loan program administration.

PEER surveyed the PDDs to determine how they administer the loan programs in five major areas which affect fairness of the loan programs. PEER asked PDDs about their procedures regarding:

- conflict of interest policies and their methods for determining that no conflict of interest exists;
- marketing policies and the methods with which they promote programs to intended loan recipients in their districts;
- handling loan program applications and interaction with loan applicants;
- methods for communicating with applicants whose loans have been denied; and,

- application fees.

Exhibit 13, page 44, indicates the survey responses in each of the above criteria for four major loan programs: the Economic Development Administration Revolving Loan Fund (EDA), the Farmers Home Administration Intermediary Relending Program (FmHA), the Minority Business Enterprise Loan Program (MBE), and the Mississippi Small Business Assistance Program (MSBAP). The survey responses showed that PDDs have developed procedures for avoiding conflicts of interest, ensuring program promotion to a wide audience, and establishing a clear and open process. However, no single PDD had established all of the procedures which PEER considered necessary for fairness in loan program administration. Although DECD's loan program guidelines currently do not include provisions related to the fairness issues reviewed by PEER, the PDDs have an obligation to serve their districts through fair and open loan application procedures, regardless of DECD's inclusion of these provisions in their minimum requirements.

Conflict of Interest

In reviewing fairness of PDD loan programs, PEER sought to determine if the districts established procedures for preventing conflicts of interest in awarding loans and monitoring compliance with conflict of interest policies. At a minimum, conflict of interest procedures for PDD loan programs should include requiring each borrower to sign a statement certifying that they are not aware of any conflict of interest which would violate the conflict of interest regulations governing the loan program under which they are receiving funds. Without consistently requiring signed statements, PDDs cannot ensure that all applicants are aware of the regulations.
















































































- *Three of the ten PDDs report that they require borrowers to sign conflict of interest statements for all programs that PEER reviewed, a procedure which helps to ensure that borrowers are aware of conflict of interest regulations. The remaining seven PDDs neither required signed statements for all of their loan programs nor had written policies on conflict of interest.*

All four loan programs administered by the PDDs operate under regulations of the state and federal funding authorities which prohibit relatives of PDD officers, employees, or loan committee members to receive loans under the programs. Exhibit 14, page 45, outlines the conflict of interest regulations for each of the four programs.

In describing procedures used to ensure compliance with conflict of interest policies, several PDDs stated in their survey responses that they discuss possible conflicts in the loan applicant screening process and/or in

Exhibit 13

Planning and Development Districts' Self-reported Use of Practices Selected by PEER as Indicators of Fair and Open Application Procedures

| Action taken by Planning and Development District (PDD): | No. of loan programs administered at PDD: | Conflict of Interest | Program Promotion | Application Process | | | Recourse | | Cost |
|--|---|---|---|---|---|---|--|---|---|
| | | Requires applicant to certify there is no conflict of interest | Conducted at least one promotional activity in the majority of counties OR in each major populated county (a) in FY 97 (documented) | Describes application procedural steps in application documents | Outlines major criteria in application documents | Requires MSBAP borrowers to sign non-discrimination statements per statutes (applies to one program only) | Sends denial letters listing reasons for denial | Indicates name and address of funding authority on application | Refrains from charging an application fee |
| Central Mississippi |  |  |  |  |  | |  |  |  |
| East Central |  |  |  |  |  | | (g) |  |  |
| Golden Triangle |  |  |  |  |  | |  |  |  |
| North Central |  |  |  |  |  | |  |  |  |
| North Delta |  |  |  |  |  | |  |  |  |
| Northeast Mississippi |  |  |  (b) |  |  (c) | |  |  |  |
| South Delta |  |  |  (d) |  |  (e) | |  |  |  |
| Southern Mississippi |  |  |  |  |  | |  |  |  (h) |
| Southwest Mississippi |  |  |  (f) |  |  | |  notified of reasons by phone |  |  |
| Three Rivers |  |  |  (f) |  |  (c) | |  |  |  |

Black Squares Depict Presence of Fairness Indicators in PDDs with:

Four Programs EDA  FmHA 
MSBAP  MBE 

Three Programs EDA 
MSBAP  MBE 

SOURCE: PEER analysis of district surveys.

Notes: (a) Defined as a county having a city with a population of 10,000 or more; (b) Advertised in newspapers in previous fiscal year; (c) Some criteria missing; (d) Advertised in one newspaper in FY 1997 and claimed additional activity; (e) Criteria not routinely provided, although available upon request; (f) Did not provide documentation of advertising as requested by the PEER survey, but claimed to be active in promoting the programs; (g) Cited policy, but could not provide an example of a denial letter because reportedly no loans have been denied; (h) \$100-150.

Exhibit 14

Conflict of Interest Regulations for Four Major Loan Programs Administered by Planning and Development Districts

Economic Development Administration (EDA) Revolving Loan Fund

The EDA Revolving Loan Fund (RLF) Standard Terms and Conditions list the RLF conflict of interest guidelines as follows:

- a. The Recipient shall not make RLF funds available to a business entity if the owner of such entity or any owner of an interest in such entity is related by blood, marriage, law or business arrangement to any officer or employee of the Recipient or any member of the Recipient's Board of Directors, or a member of any other Board (hereinafter referred to as "other Board") which advises, approves, recommends or otherwise participates in decisions concerning loans or the use of grant funds.*
- b. No officer employee, or member of the Recipient's Board of Directors, or other Board, or person related to the officer, employee, or member of the Board by blood, marriage, law, or business arrangement shall receive any benefits resulting from the use of loan or grant funds, unless the officer, employee, or Board member affected first discloses to the Recipient on the public record the proposed or potential benefit and receives the Recipient's written determination that the benefit involved is not so substantial as to affect the integrity of the Recipient's decision process and of the services of the officer, employee or board member.*
- c. An officer, employee or board member of the Recipient shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment or any other thing of monetary value, for himself or for another person, from any person or organization seeking to obtain a loan or any portion of the grant funds.*
- d. Former board members and/or officers are ineligible to apply for or receive loan or grant funds for a period of one year from the date of termination of his/her services.*

Exhibit 14 (continued)

Farmers Home Administration (FmHA) Intermediary Relending Program

The FmHA Instruction 1948-C lists the Intermediary Relending Program conflict of interest guidelines as follows:

The intermediary [PDD] will, for each proposed loan to an ultimate recipient [borrower], inform FmHA in writing and furnish such additional evidence as FmHA requests as to whether and the extent to which the intermediary or its principal officers (including immediate family) hold any legal or financial interest or influence in the ultimate recipient, or the ultimate recipient or any of its principal officers (including immediate family) holds any legal or financial interest or influence in the intermediary. FmHA shall determine whether such ownership, influence or financial interest is sufficient to create a potential conflict of interest. In the event FmHA determines there is a conflict of interest, the intermediary's assistance to the ultimate recipient will not be approved until such conflict is eliminated.

[Notations in brackets have been added.]

Minority Business Enterprise Loan Program (MBE)--State of Mississippi

The MBE "Guidelines and Application" state that a "Qualified Entity's board of directors, employees or their immediate family members are ineligible for assistance under this program. To become eligible, a former employee or director must have vacated his or her position with the Qualified Entity no less than twelve (12) months prior to applying for assistance."

Mississippi Small Business Assistance Program (MSBAP)

The MSBAP "Guidelines and Grant Application" state that "Immediate relatives of any current staff or board members of the Qualified Entities are not eligible to apply for assistance under this program. Immediate relative is defined as spouse, parent, child or sibling of the applicant."

SOURCE: Excerpts from loan program guidelines.

loan committee meetings in order to determine that no conflict exists. Although these procedures are necessary and should help avoid conflicts, PDDs should require all borrowers to sign statements that the applicants are not related to PDD officers, employees, or loan review committee members, that they have read the conflict of interest policies, and that granting the loan will not violate any other constitutional or statutory provision that relates to conflict of interest.

Documentation provided by PDDs in response to the survey showed that only three PDDs require borrowers to sign conflict of interest statements for all loan programs reviewed by PEER. (See Exhibit 13, page 44.) Three other PDDs required conflict of interest statements for some of their programs but not for all of their programs. Also, when responding to a survey question, none of the PDDs (including the seven which did not require conflict of interest statements for all loan programs consistently) provided board minutes showing that their boards had approved separate conflict of interest policies or loan program plans which included conflict of interest policies.

If PDDs do not require borrowers to sign conflict of interest statements, some applicants may believe that any possible conflict of interest which may exist is allowable, which could result in loans being made which did not comply with regulations and statutes regarding conflict of interest.

Promotion of Loan Programs to Residents of the District

PEER also sought to determine whether PDDs had broadly disseminated information on the availability of loans as part of a fairly administered loan program. In measuring whether PDDs had broadly publicized loan programs, PEER attempted to determine whether PDDs had conducted one promotional activity per major populated county in the district in Fiscal Year 1997 or one promotional activity in the majority of counties in the district in Fiscal Year 1997. ("Major populated counties" are defined as counties which have cities with populations of 10,000 or more.) Although a variety of promotional strategies could be acceptable to reach a particular district's citizens, these levels of promotional activity would ensure that a minimal level of access to the publicly funded programs was available district-wide.

- *Six of the ten PDDs provided documentation to PEER of promotional events, newsletters, or advertisements for each major populated county or for the majority of counties in their districts during FY 1997. Although some districts did not provide documentation as requested by the PEER survey, all districts claimed to PEER they had conducted some type of loan program promotion during fiscal years 1996 or 1997.*

The federal agencies which administer loan programs managed by PDDs, such as FmHA, the U. S. Economic Development Administration, and the Appalachian Regional Commission, do not require that PDDs conduct specific types of marketing programs. However, the Economic Development Administration commissioned a study of best practices for managing public loan programs which recommended that PDDs develop a marketing strategy. As part of its loan program regulations, the Appalachian Regional Commission requests that PDDs review the Economic Development Administration-commissioned study, entitled *The Design and Management of State and Local Revolving Loan Funds: A Handbook*, as a reference when developing their loan program operations plans.

The Design and Management of State and Local Revolving Loan Funds: A Handbook (hereafter referred to as the *Loan Handbook*) outlines various methods for marketing of loan programs, including:

- use of media, including advertisements in and press releases to local newspapers and business magazines;
- sending letters and informational materials to bank officials and selected groups of businesses;
- conducting workshops and meetings on the program with loan officers of local institutions; and,
- making presentations before local business associations.

Each of the ten PDDs claimed that they had conducted at least one of the types of advertisement described in the *Loan Handbook* during the fiscal year 1996 or 1997 ended September 30. However, as shown in Exhibit 13, only six of ten PDDs provided documentation to PEER (by sending copies of workshop literature, newspaper advertisements, or newsletters or describing the names and dates of specific events attended) that they had conducted at least one promotional activity in each major populated county in their district or in the majority of counties in their districts during the most recent fiscal year (1997). Two of the remaining PDDs claimed that they were active in marketing their loan programs but did not respond to PEER's survey which requested documentation of their activity. Another PDD stated that during Fiscal Year 1997 it had not been proactive in marketing its programs because availability of funding for some of the

programs was low. The tenth PDD provided documentation of an advertisement in one local newspaper, indicating a good promotional effort, but did not provide other documentation of claimed activities.

Marketing the loan funds helps to ensure that larger numbers of citizens will be able to seek assistance from the publicly funded programs, which leads to a fair and open process.

Clear and Open Application Process

PEER's survey sought to determine whether districts had provided clear information to loan applicants regarding the criteria used in selecting loan recipients and on the steps an applicant must take to obtain a loan. In establishing reasonably clear application procedures, PDDs should:

- provide written guidelines explaining the general steps in the application process, the specific loan program eligibility criteria, and the specific items and information requested for review; and,
- work with applicants on an individual basis to explain application procedures.

Providing written guidelines to all applicants would help to ensure that PDDs are consistent in conveying requirements to applicants and that applicants clearly understand all the procedures. Explaining the process to applicants individually also helps to ensure that the applicants understand the written guidelines.

As recommended in the *Loan Handbook*, PDDs should:

- send each applicant a set of written guidelines along with the application form;
- provide clear and consistent information in a professional manner, explaining the evaluation process fully to loan applicants; and,
- ensure that the applicant knows how the loan fits in with the PDD policy.

- *All PDDs provide written application forms to applicants requesting specific items for review. However, only five of the ten PDDs noted that they provide written eligibility criteria to applicants for all loan programs, which would inform applicants of the basis on which their applications will be reviewed.*

PEER's survey results indicated that PDDs consistently provide applicants with written application forms, which allows applicants to understand clearly the documentation which the PDDs will require for analysis of the loan proposal, including historical financial statements, financial projections, and business plans. PDDs should also consistently provide applicants with a full list of criteria under which the program operates--for example, the types of projects which will be funded, maximum loan amounts, and interest rate ranges. Giving a complete listing of criteria to applicants provides a basis for discussing the application and its shortcomings if the loan is denied and also discourages applicants from applying for loans for which they are not qualified. However, as shown in Exhibit 13, only five PDDs provided eligibility criteria to applicants for all loan programs which they administered. Four other PDDs reported that they provided criteria for some programs but not all programs.

Exhibit 15, page 51, which is a form PEER developed that lists examples of guidelines and application procedures, outlines the types of loan eligibility criteria which should be provided to PDD loan applicants to help ensure a fair and open loan process.

- *PDD staff stated in survey responses or provided plan documents showing that they work with applicants on an individual basis to explain application procedures, an important component in assisting applicants. However, only two of the ten PDDs attempt to inform applicants in writing of the general steps in the application process, a procedure which would help ensure a fair and open process.*

The *Loan Handbook* states that PDDs should explain the evaluation process fully to loan applicants. As recommended by the *Loan Handbook*, PDDs stated that they worked with applicants on a one-on-one basis during the application process. Some PDDs reported in their survey responses that they explain various procedures or work diligently with applicants to help them understand the process. The survey responses indicated this process for other PDDs in their approved Economic Development Administration loan program work plans submitted as part of responses.

In order to ensure that all applicants are aware of the procedures involved in the application process, PDDs should also provide written steps of the general process in the loan guidelines, for example, by listing such procedures as the points in the process at which staff and loan

Exhibit 15
Example of Minimum Program Guidelines and Application Procedures
to be Provided to PDD Loan Applicants by PDDs for a Fair and Open Loan Process

***Guidelines and Application for the
Mississippi Small Business Assistance Program***

Sponsored by ABC Planning and Development District
Mississippi Street
Hometown, Mississippi
Phone 601-111-1111, Fax 601-222-2222

Part I--Loan Program Guidelines and Application Procedures

| | |
|---|--|
| Program Purpose and Regulatory Authority | <p>The ABC Planning and Development District (ABC) makes available the Mississippi Small Business Assistance Program (MSBAP) on behalf of the Mississippi Legislature, which created the loan program in 1993 to promote job creation and small business development.</p> <p>The Legislature funds the program through bond sales under the direction of the Department of Economic and Community Development, P.O. Box 849, Jackson, MS 39205, 601-359-3552.</p> |
| General Eligibility Criteria | <p>A company may seek assistance if it is a for-profit commercial enterprise which meets one of the following criteria: (1) has fewer than 100 full-time employees; (2) has less than \$2 million in net worth; OR (3) earned less than \$350,000 in net annual profit after taxes.</p> <p>The applicant must be able to demonstrate a good credit history and the ability to repay the loan and must be located in the district.</p> |
| Loan Criteria | <p>No small business shall receive assistance under the program in excess of \$100,000.</p> <p>The interest rate on loans shall not be less than five percent per year or more than four percent above the federal discount rate.</p> <p><i>[Remainder of criteria listed here.]</i></p> |
| Application Process and Procedures | <p>PDD staff are available to meet with the applicant prior to submission of an application to discuss loan program criteria and information required in the attached application. The application will not be accepted until the applicant obtains a written commitment from a bank or other source to finance 50% of the project.</p> <p>If the applicant desires assistance in formulating the business plan required in the application, he or she is encouraged to set up an appointment with the Small Business Development Center, Anytown, MS, 601-444-4444. The U.S. Small Business Administration and the State of Mississippi fund approximately twenty centers across the state which are established to assist small business owners and entrepreneurs.</p> |

Exhibit 15, continued

Example of Minimum Program Guidelines and Application Procedures to be Provided to PDD Loan Applicants by PDDs for a Fair and Open Loan Process

Application Process and Procedures, continued

After an application is submitted, two to four weeks are needed for review by ABC's staff. During this period, the staff will review applications for completeness and eligibility and obtain credit records. If staff determine that the application does not meet required loan program criteria or the applicant has an unacceptable credit history, staff will notify the applicant in writing that the loan has been denied and the reasons for denial.

After staff review, the PDD loan committee will consider completed loan applications at its meetings which are scheduled every other month. If the committee denies the loan, the applicant will receive a letter listing the reasons for the denial.

Also upon request, PDD staff will inform the applicant what steps can be taken to improve the applicant's suitability for obtaining a loan (for example, demonstration of three years of credit history with no past due loans).

Loan Closing Process

If the loan is approved the borrower can expect the loan closing within 60 days. Borrowers must agree to provide semi-annual financial statements, copies of insurance policies, property receipts, signed statements assuring compliance with federal and state laws, personal guarantees of each principal owner, payment of all closing costs, etc.

The time from loan approval to loan closing is generally two weeks, provided that the necessary information has been submitted. At the loan closing, funds will be disbursed according to the loan agreement.

In the event of default by the small business, ABC shall foreclose and enforce its security interests and personal guaranties and take all necessary and appropriate action to recover all principal and interest owed. Any small business which defaults on a loan under this program shall not be eligible for any other assistance under this program.

For More Information

If you have questions regarding the details of the program, contact the PDD at 601-111-1111.

Part II--Loan Application

[Not Included in this Exhibit]

Page 2 of 2

NOTE: Specific procedures vary from one PDD to another. As a result, some PDDs will not use the specific procedures listed in the exhibit. At a minimum, the guidelines and application procedures of each PDD should convey the actual process to the applicant to help ensure an open process and that all applications will be handled uniformly.

SOURCE: PEER analysis of MISS. CODE ANN. Section 57-10-501 to 533 and planning and development district records.

committees will make decisions regarding the application and the points at which the loan committee meets to review applications. However, only two of the ten PDDs attempted to inform applicants of these steps. (Southern Mississippi PDD lists certain application steps in its guidelines for all four programs and Southwest Mississippi PDD lists application steps for two of four programs.) The other PDDs do not list any general application steps.

Exhibit 15 shows an example of the types of general application procedures which should be conveyed to applicants to illustrate clearly the loan application process. The exhibit includes application steps found in the Southern and Southwest Mississippi PDD guidelines and also includes examples developed by PEER based on the actual process which PDDs described in the surveys.

- *Survey responses indicate that all PDDs require their Small Business Assistance Program borrowers to sign non-discrimination statements in compliance with MISS. CODE ANN. Section 57-10-519, which prohibits lending to borrowers who discriminate.*

PEER surveyed the districts to determine whether they require applicants to sign a non-discrimination statement required in compliance with the Mississippi Small Business Assistance Program statute. MISS. CODE ANN. Section 57-10-519 prohibits PDDs from making Small Business Assistance loans unless borrowers certify to the PDD that they will not discriminate against employees or applicants for employment because of race, religion, color, national origin, sex, or age. Survey responses showed that all PDDs require applicants to sign a non-discrimination statement, which fulfills the primary intent of the statutes.

As shown in the responses, the actual statement which PDDs require applicants to sign reads as follows: "No assistance shall be provided to a small business that displays discrimination against any employee or against any applicant for employment because of race, religion, color, national origin, sex or age." Although this statement conveys to the applicant the PDDs' intention to avoid lending to businesses which discriminate, a more direct certification by the applicant would better serve the purpose of the statutory requirement, such as the following: "The undersigned certifies that he or she will not engage in discrimination against any employee or applicant for employment because of race, religion, color, national origin, sex or age."

Recourse

In surveying districts, PEER sought to determine whether PDDs have provided avenues of recourse for applicants who have been denied loans. In addressing the need for recourse and fairness of loan programs,

PDDs should develop a system of informing applicants who have been denied loans of the reasons for which their loans have been denied. Informing applicants of the reasons that their loans have been denied informs them of potential areas in which they can improve their loan proposals in the future.

The *Loan Handbook* stated that PDDs should explain clearly to applicants the reasons that their loan proposals are unsuitable and what steps, if any, could be taken in order for the PDD to consider their loan at a later date.

- *Eight of ten PDDs noted through survey responses or documents that they provide written explanations of the reasons for loan denial to applicants.*

PEER requested PDDs to explain their process for informing loan applicants that their loans had been denied. Eight of ten PDDs provided examples of denial letters sent to applicants listing the reasons for denial. Some PDD responses did not state whether the PDDs send a written denial letter listing reasons in every instance.

One PDD stated that it always explained the reasons to applicants by telephone. The tenth PDD stated that its procedure would be to send a written denial letter, but that it has never denied a loan.

By not informing each applicant of the reasons for loan denial in writing, the PDD cannot assure that applicants understand the process by which a loan has been denied or the methods by which a loan application could be improved and cannot document that all applicants have been informed of the reasons for denial.

Because the PDD administers loan funds available through public funding, as part of a system of recourse the PDDs should also convey to applicants the source of the public funding and the name and address of the regulatory authority responsible for oversight of the loan funds.

Informing the applicant of the name and address of the regulatory authority would help to ensure that a PDD is held accountable for its management of the publicly-funded loan program as part of an open application process.

- *None of the PDDs include names and addresses of the state or federal funding entities on the loan applications for all four programs reviewed by PEER. As a result, applicants have not been consistently notified of the ultimate administrative authority over the publicly funded programs, which would inform applicants of alternate avenues of recourse.*

As shown in Exhibit 13, documents provided with survey responses showed that five PDDs provide names and addresses of regulatory authorities for one or two loan programs. However, none of the PDDs included names and addresses of the state or federal funding entities to applicants for all loan programs. Three other PDDs list the names of the regulatory agencies on some applications but do not list addresses.

When the names and addresses of regulatory authorities are not shown on loan applications, applicants may believe that the ultimate authority for the loan programs is with the PDD boards. Applicants should be aware of the state or federal agencies which have the responsibility for the oversight of programs in the event of a problem between the PDD and the applicant which cannot be resolved through normal channels.

- *PDD loan applicants' recourse is limited because the state-level program administrator (DECD) has not developed a system of receiving, monitoring, and resolving complaints at the state level for Minority Business Enterprise and Small Business Assistance programs.*

In surveying districts, PEER sought to determine whether DECD had developed a system to handle complaints regarding PDD administration of state loan programs. Unless DECD develops a method for tracking complaints, DECD will not be able to determine problem areas noted by complaints from loan applicants.

DECD officials stated to PEER that they do not receive many complaints at the state level from PDD loan applicants. However, they do not have a specific system in place for monitoring the complaints which they do receive. The official stated that DECD has considered referring applicants to another qualified entity (one of twenty organizations approved by DECD to administer state loan programs, including ten PDDs) for a second opinion when the applicant complains. Although few complaints have been received by DECD in the past, the department should develop a specific process for monitoring and resolving complaints which may arise in the future and detecting patterns from the complaints.

Cost to Applicants

To determine whether application fees were minimal and would not substantially limit access by the population targeted, the district survey determined whether PDDs charged application fees to individuals who apply for loan programs and their reasons for charging the fees. Application fees could discourage applicants from applying for loan programs because of the cost involved. Since loan programs are targeted to individuals who would not normally receive loans from banks on the same terms offered by the PDD, these applicants could regard an application fee as a barrier to credit.

- *Nine of ten PDDs reported that they did not require applicants to pay fees in order to apply for loans. The tenth PDD charged substantial application fees (\$100 to \$150), which could discourage applicants from seeking assistance.*

Because one of the major cost outlays for processing applications consists of fees for obtaining credit reports (approximately \$3 to \$8), Southern Mississippi PDD's \$100 to \$150 application fees do not appear to be minimal. Also, loan program regulations allow Southern Mississippi PDD and other PDDs to use interest income from available grant funds and loans outstanding as administrative costs. The PDDs also charge loan closing costs to those applicants who receive loans. Southern Mississippi PDD stated that it charged the fees to cover its costs. However, nine of ten PDDs operate without charging application fees, which would suggest that interest income and closing costs should be sufficient to cover costs of administering the programs. (Also, the Southern Mississippi PDD financial statements showed a positive cash flow in the revolving loan fund.)

The Economic Development Administration approved Southern Mississippi PDD's \$150 application fee for its loan program, which is sometimes targeted to industrial borrowers who can create substantial numbers of jobs. Although it is possible that EDA loan application fees may not present a strong barrier to industrial applicants, application fees for the small business and minority loans offered by the state programs would appear to present more of an obstacle.

Recommendations

Oversight of PDDs' Effectiveness in Accomplishing Their Mission

- 1A. The Bureau of Long Range Economic Development Planning and Special Task Force for Economic Development Planning should fulfill their statutory responsibilities pursuant to the Statewide Economic Development and Planning Act of 1987. The legislative intent was to establish a monitoring, evaluation, reporting and accountability process for economic development of the state. The statutes require the bureau to develop and maintain a long-range plan for the economic development of the state. The task force is charged with conducting needed research and assisting the bureau in setting measurable state economic development goals. The planning process should include identifying all public and private entities and programs available for achieving economic development goals. PEER recommends that the bureau and task force implement these requirements by developing a coordinated, up-to-date, statewide economic development plan with prioritized goals and performance measures for monitoring progress toward goal achievement to provide a framework for overseeing the effectiveness of economic development entities, including PDDs. To address limitations of previous economic development planning efforts, PEER recommends the bureau and task force identify and work with all the key economic players to integrate regional and state planning. Specific to PDDs' effectiveness, PEER recommends the bureau and task force establish goals and related performance measures for the human service and state loan programs delivered by and through the PDDs.

The planning statutes also require that the PDDs be involved in the planning process by selecting a PDD representative to serve on the task force and providing input and assistance to the task force; holding public meetings in each district for receiving public input; determining goals and local priorities and reporting on local resources available for goal achievement; and submitting annually Economic Development Plans, along with the required work programs which describe the prior year's accomplishments. As the PDDs are to be involved in the planning process and the PDDs' existing planning efforts offer a potential link between local and state government, PEER recommends that the bureau integrate the PDDs' Economic Development Plans into the state's planning process, as required by the Economic Development Administration. The PDDs' Economic Development Plans should include information on regional needs, prioritized economic development goals to address those needs, and performance measures to be used in determining whether the goals are being accomplished. The bureau should consolidate the information on regional needs and goals as identified in the Economic

Development Plans to arrive at a series of statewide goals and should develop measurable statewide objectives to be used in determining whether the state as a whole is accomplishing economic development goals and assessing individual PDDs' progress in relation to achieving the statewide economic development goals.

Since the planning statutes require the bureau to report annually to the Joint Legislative Budget Committee on progress in achieving established goals, PEER recommends that the annual reporting requirement include providing information on the performance of the key economic development players in achieving the prioritized goals and performance measures. To facilitate reporting on PDDs' effectiveness, PEER recommends that the Department of Human Services and Department of Economic and Community Development report annually to the bureau on PDDs' progress in relation to achieving the performance measures established for the human service and state loan programs delivered by and through the PDDs.

To obtain a more complete picture of the degree to which state programs foster economic development, the bureau and task force should consider employing a mix of performance measures. For example, in 1987 the Oklahoma State Legislature passed an act designed to promote the state's economic development through the formulation of a long-term strategic plan. As part of its statewide strategic plan, Oklahoma's Department of Commerce implemented a comprehensive performance review system. Under this review system, economic development programs are closely monitored by various divisions within the department, including periodic release of results for indicating program performance. While Oklahoma's measures include jobs created, they also include:

- new investments;**
- new business locations;**
- companies new to exporting;**
- companies exporting to new markets;**
- customer satisfaction; and,**
- dollars expended for community investment.**

Additionally, key indicators of effectiveness could measure one or more of the following outcomes:

- number, cost, targeted population, and type of jobs funded;**
- increase in community's tax base;**

- leveraging of public and private funds relative to the investment;
- level of loan defaults;
- creation of needed services and facilities; and,
- types and sizes of businesses assisted.

Regardless of what measures are used, they should be applied in the context of local economic conditions and conform with the overall established mission, goals, and objectives in the statewide economic development plan.

- 1B. Since the Bureau of Long Range Economic Development Planning and Special Task Force for Economic Development Planning have recently initiated efforts to restore the required planning function, the bureau should report to the Legislature in January 2000 and annually thereafter on its progress in establishing prioritized goals, performance measures for monitoring progress toward goal achievement, and implementation steps. If the Legislature determines that insufficient progress has been made, then the Legislature should consider relieving the bureau and task force of their authority to develop and maintain the statewide economic development plan. The planning authority could be placed with a Planning and Development Council to be chaired by the Executive Director of the Department of Economic and Community Development and staffed by DECD's employees.
2. PEER recommends that the Office of the State Auditor review annually PDDs' independent auditors' reports and report the results of the review to the Legislature, Governor, and Bureau of Long Range Economic Development Planning.
3. PEER recommends that the Department of Human Services and the Department of Economic and Community Development develop a standardized format to report annually to the Bureau of Long Range Economic Development Planning similar information as is reported to the federal funding agencies on the efficiency of their human service programs delivered by and through the PDDs. Efficiency information on each PDD should be reported annually by the state agencies in their budget requests to the Legislature. The following are the types of measures usually reported on program efficiency:
 - *input measures*, to report the quantity of program resources (e.g., costs); and,

- *output measures*, to report the number of units produced or services provided by a program (e.g., number of participants assisted in obtaining jobs).
4. PEER recommends the Department of Economic and Community Development develop a standardized format for annually reporting to the Bureau of Long Range Economic Development Planning on the efficiency of the two state loan programs, Minority Business Enterprise and Small Business Assistance, delivered by and through the PDDs. Efficiency information on each PDD should be reported annually by the Department of Economic and Community Development in its budget request to the Legislature.

DECD Oversight of Loan Programs

5. DECD should request the PDDs to send copies of the semi-annual Small Business Assistance loan program reports (which now are required statutorily to be sent to House and Senate committees) to the agency. DECD should resume monitoring the reports to determine compliance with administrative cost requirements, losses, delinquencies and other portfolio characteristics.
6. The Legislature should delete subsection (2) of MISS. CODE ANN. Section 57-10-511 which repeals the section on July 1, 2000. Deleting this section would keep in place the primary oversight provisions related to DECD, such as allowing DECD to declare a PDD in default if the loan funds are administered improperly.
7. DECD should develop a plan for on-site monitoring of entities which administer Minority Business Enterprise and Small Business Assistance loans and review agency staffing to determine individuals who would be able to conduct the on-site monitoring on a periodic basis, such as yearly or bi-annually.

State Agency Contracting

8. The Legislature should require that state agencies entering into agreements with private contractors, including PDDs, incorporate accountability provisions into those agreements.

Fairness of Loan Programs

9. Each PDD should broadly advertise its loan programs by, for example, conducting at least one promotional activity (such as speaking at a club, bank, or organizational meeting; training workshops; newsletters; advertisements; press releases) in the majority of counties

or in each major populated county in its district each year. PDDs should also strive to reach even the least populated counties on a yearly basis to open the process for all citizens.

10. The PDDs should improve the non-discrimination statement which they require applicants to sign to read as follows: *"The undersigned certifies that he or she will not engage in discrimination against any applicant for employment because of race, religion, color, national origin, sex or age."* This more direct language would better serve the purpose of the statutory requirement.
11. The PDDs should develop a policy to send written denial letters listing the reasons for loan denial in every instance in which the PDD denies a loan during the staff review process or through the loan committee process.
12. Although DECD has reported that it does not receive many complaints related to the state loan programs administered by PDDs, DECD should develop a basic system for tracking the types of complaints by district and for resolving those complaints. Devising a complaint monitoring system would allow DECD to follow up on any potential problems with the administration of the programs.
13. DECD should incorporate provisions for requiring and monitoring fairness in the loan application process in its system of loan program oversight.
14. The PDDs should require that each borrower sign a conflict of interest statement (at the time of application or loan closing) that acknowledges that the borrower:
 - has read the conflict of interest regulations applying to each source of loan funding,
 - has no conflict of interest under the loan program regulations and statutes, and,
 - has no conflict of interest under any other constitutional or statutory provision of law that relates to conflict of interest.
15. The PDDs should provide comprehensive and written eligibility criteria to applicants for each loan program for which they apply or are being evaluated for assistance.
16. The PDDs should inform applicants in writing of the general steps in the application process, such as the point in the process that a bank commitment is required, the approximate time needed for review of the application, and loan closing requirements. (Suggestions for

notification of the application and loan closing process are outlined in Exhibit 15.)

- 17. To assist applicants who believe that they have been treated unfairly, the PDDs should disclose the identity of the state or federal agencies funding the loan programs they administer. PDDs can accomplish this by listing the name and address of the funding agency on the loan application for each program.**
- 18. Southern Mississippi PDD should review its policy of charging application fees for loan programs, including such factors as actual cost of administration, interest income and closing fee revenue received, and effect on the potential applicants, especially for the state loan programs. The PDD should consider reducing or eliminating the fee based on its analysis.**

Appendix A

Information on the Mississippi Intergovernmental Review Process

The local entity applying for federal financial assistance is responsible for being knowledgeable of and complying with the review process guidelines and procedures established by the state. This includes the local applicant notifying both the Department of Finance and Administration (DFA) and the PDDs, as the areawide clearinghouses, that they have applied for federal financial assistance to fund a local project. Responsibilities of DFA include:

- maintaining a list of all federal programs subject to the intergovernmental review process (as indicated in the Catalog of Federal Domestic Assistance);
- distributing a weekly log to notify state agencies and other interested parties of proposed local activity to provide them the opportunity to review and comment;
- issuing a final comment letter to be submitted by the applicant to the federal funding agency; and,
- distributing biweekly a federal registrar report to provide the public (i.e., state agencies and local entities such as the PDDs) with information on the availability of federal funds (not limited to programs subject to the intergovernmental review process).

The PDDs are responsible for facilitating the review and comment by local governments and agencies whose interest might be affected by the proposed project and submitting the comments to DFA.

SOURCE: PEER analysis.

Appendix B
Summary Presentation of Audited Financial Statements of
Nine Mississippi Planning and Development Districts (a)
Fiscal Year Ended September 30, 1996

| | Central Mississippi | East Central | Golden Triangle | North Central | Northeast Mississippi | South Delta | Southern Mississippi | Southwest Mississippi | Three Rivers | Total (9 PDDs) |
|---|------------------------|--------------------|--------------------|--------------------|--------------------------|--------------------|-------------------------|--------------------------|--------------------|---------------------|
| Federal Grants | | | | | | | | | | |
| Child Care and Family Support Programs | \$4,432,631 | \$953,443 | \$1,197,977 | \$1,382,464 | \$405,958 | \$1,516,375 | \$2,452,898 | \$1,430,441 | \$142,946 | \$13,915,133 |
| Aging Programs | 2,114,954 | 1,226,731 | 934,492 | 1,148,094 | 713,126 | 1,070,640 | 2,943,593 | 1,271,223 | 1,138,892 | 12,561,745 |
| Employment Support and Training Programs | 2,831,775 | 487,695 | 982,954 | 320,104 | 155,012 | 417,756 | 2,641,388 | 474,455 | 2,066,406 | 10,377,545 |
| Other | 830,622 | 260,850 | 444,674 | 263,425 | 302,799 | 501,552 | 1,220,608 | 240,463 | 592,350 | 4,657,343 |
| Total Federal Grant Revenues | \$10,209,982 | \$2,928,719 | \$3,560,097 | \$3,114,087 | \$1,576,895 | \$3,506,323 | \$9,258,487 | \$3,416,582 | \$3,940,594 | \$41,511,766 |
| State Grants | | | | | | | | | | |
| MBE and MSBAP Loan Program Grants (b) | \$1,583,571 | \$48,700 | \$1,250,000 | \$1,000,000 | \$202,647 | \$1,379,167 | \$1,371,600 | \$0 | \$63,558 | \$6,899,243 |
| Other State Grants | 1,579,091 | 428,500 | 59,444 | 298,645 | 120,699 | 264,931 | 724,897 | 466,141 | 638 | 3,942,986 |
| Total State Grant Revenues | \$3,162,662 | \$477,200 | \$1,309,444 | \$1,298,645 | \$323,346 | \$1,644,098 | \$2,096,497 | \$466,141 | \$64,196 | \$10,842,229 |
| Local and Program Revenues | \$1,983,325 | \$882,368 | \$4,289,092 | \$668,682 | \$971,028 | \$1,146,460 | \$1,423,812 | \$870,044 | \$1,872,182 | \$14,106,993 |
| | | | (d) | | | | | | | |
| Total Revenues | \$15,355,969 | \$4,288,287 | \$9,158,633 | \$5,081,414 | \$2,871,269 | \$6,296,881 | \$12,778,796 | \$4,752,767 | \$5,876,972 | \$66,460,988 |
| Total Expenses | \$15,171,525 | \$4,007,997 | \$7,266,366 | \$3,910,715 | \$2,218,459 | \$4,308,945 | \$10,802,108 | \$4,573,527 | \$5,711,523 | \$57,971,165 |
| Excess Revenue Over Expenses | \$184,444 | \$280,290 | \$1,892,267 | \$1,170,699 | \$652,810 | \$1,987,936 | \$1,976,688 | \$179,240 | \$165,449 | \$8,489,823 |
| | | | (c) | (c) | (c) | (c) | (c) | | | |

NOTES: This exhibit includes format adjustments to some audited figures to maintain consistency among reporting of revenues and expenditures for nine PDDs.

(a) The North Delta Planning and Development District audit is not complete. NDPDD estimated FY 1996 expenditures to be \$4.2 million.

(b) Includes funding for the Minority Business Enterprise and MS Small Business Assistance programs. The state disbursed \$1,000,000 each to ten PDDs on September 27, 1995, the end of the PDD fiscal year of September 30. Five of the PDDs received the funds in FY 1996 and reflected them as FY 1996 revenues, shown above.

(c) Large revenues in excess of expenses resulted for some PDDs because during FY 1996 they received large amounts of loan grant funds, which are not treated as expenses when loaned out. These grants increase the cash of the PDDs and are later converted to notes receivable when loans are made.

(d) Golden Triangle's local revenues include \$3,115,820 in revenues from bingo operations. (Its Excess Revenue Over Expenses includes \$294,489 attributable to bingo.)

SOURCE: FY 1996 audits and financial records of nine Mississippi planning and development districts.

Appendix C
Analysis of Schedule of Federal Revenue by Program Reported in FY 1996 Planning and Development District (PDD) Audits

| | Central Mississippi | East Central | Golden Triangle | North Central | Northeast Mississippi | South Delta | Southern Mississippi | Southwest Mississippi | Three Rivers | Total (9 PDDs) |
|---|------------------------|--------------------|--------------------|--------------------|--------------------------|--------------------|-------------------------|--------------------------|--------------------|---------------------|
| Child Care and Family Support Programs | | | | | | | | | | |
| Child Care Development Block Grant | \$2,971,593 | \$687,351 | \$1,197,977 | \$1,001,138 | \$323,466 | \$1,299,669 | \$2,452,898 | \$1,030,462 | \$31,308 | \$10,995,862 |
| Family Support Payments to States/Transitional Child Care | 1,176,960 | 266,092 | | 381,326 | 82,492 | 216,706 | | 399,979 | 111,638 | 2,635,193 |
| Child Care for Families at Risk of Welfare Dependency | 284,078 | | | | | | | | | 284,078 |
| | \$4,432,631 | \$953,443 | \$1,197,977 | \$1,382,464 | \$405,958 | \$1,516,375 | \$2,452,898 | \$1,430,441 | \$142,946 | \$13,915,133 |
| Aging Programs | | | | | | | | | | |
| Health Care Services in the Home | | | \$143,746 | | | | | | | \$143,746 |
| Special Programs for the Aging | | | | | | | | | | |
| (Title III-A, B, Administration) | 777,922 | 343,969 | 178,599 | 283,126 | 234,484 | 365,831 | 1,036,992 | 364,907 | 402,677 | 3,988,507 |
| (Title III C) | 593,208 | 454,285 | 341,137 | 315,234 | 160,822 | 234,435 | 353,556 | 427,984 | 337,714 | 3,218,375 |
| (Title III D) | 15,514 | 5,500 | 5,088 | 6,993 | 4,451 | 7,427 | 14,167 | 10,451 | 5,889 | 75,480 |
| (Title III F) | 29,960 | 12,700 | 1,719 | 5,888 | 8,557 | 14,011 | 32,617 | 9,811 | 5,613 | 120,876 |
| Elderly Abuse/Ombudsman/Insurance (Title VII) | 12,846 | 8,225 | 3,322 | 2,619 | 3,344 | | 16,486 | 6,869 | 2,134 | 55,845 |
| Corporation for National Service Senior Companion Program | | | | | | | 133,120 | | | 133,120 |
| Medicaid Waiver/Medical Assistance Program | 44,658 | 22,980 | | 248,825 | 43,404 | 90,196 | 277,483 | 49,868 | | 777,414 |
| National Aging Program Implementation System (Title IV) | 2,364 | 2,683 | 3,000 | 2,858 | 2,220 | 2,250 | 2,894 | 2,276 | 2,597 | 23,142 |
| Senior Community Service Employment Program (Title V) | 93,502 | 37,533 | 51,834 | 44,814 | 66,262 | 106,452 | 471,816 | 82,268 | 77,479 | 1,031,960 |
| Insurance Counseling | 16,735 | 16,913 | | 8,842 | 15,028 | 8,346 | 25,072 | 19,428 | 4,585 | 114,949 |
| Social Services Block Grant (Title XX) | 528,245 | 321,943 | 206,047 | 228,895 | 174,554 | 241,692 | 579,390 | 297,361 | 300,204 | 2,878,331 |
| | \$2,114,954 | \$1,226,731 | \$934,492 | \$1,148,094 | \$713,126 | \$1,070,640 | \$2,943,593 | \$1,271,223 | \$1,138,892 | \$12,561,745 |
| Employment Support and Training Programs | | | | | | | | | | |
| Job Opportunity & Basic Skills Training (JOBS) | \$697,281 | \$466,985 | \$955,027 | \$289,809 | \$127,246 | \$384,886 | \$1,569,475 | \$443,565 | \$255,671 | \$5,189,945 |
| JOBS Workfirst (Case Management) | 337,517 | | | | | | | | 249,948 | 587,465 |
| Training for Economically Disadvantaged | 1,796,977 | 20,710 | 27,927 | 30,295 | 27,766 | 32,870 | 796,474 | 30,890 | 628,471 | 3,392,380 |
| JTPA Assistance for Dislocated Workers | | | | | | | 275,439 | | 932,316 | 1,207,755 |
| | \$2,831,775 | \$487,695 | \$982,954 | \$320,104 | \$155,012 | \$417,756 | \$2,641,388 | \$474,455 | \$2,066,406 | \$10,377,545 |

Appendix C, continued
Analysis of Schedule of Federal Revenue by Program Reported in FY 1996 Planning and Development District (PDD) Audits

| | Central Mississippi | East Central | Golden Triangle | North Central | Northeast Mississippi | South Delta | Southern Mississippi | Southwest Mississippi | Three Rivers | Total (9 PDDs) |
|--|------------------------|--------------------|--------------------|--------------------|--------------------------|--------------------|-------------------------|--------------------------|--------------------|---------------------|
| Food Programs | | | | | | | | | | |
| Child & Adult Care Food Programs | \$13,546 | | | | \$30,418 | \$13,365 | \$16,631 | \$13,009 | \$10,628 | \$97,597 |
| Commodity Credits and Food Distribution | 270,172 | | 131,367 | | 106,698 | | 289,731 | | | 797,968 |
| Elderly Nutrition Program | | 198,584 | | 216,971 | | 159,867 | | 171,914 | 127,281 | 874,617 |
| | \$283,718 | \$198,584 | \$131,367 | \$216,971 | \$137,116 | \$173,232 | \$306,362 | \$184,923 | \$137,909 | \$1,770,182 |
| Loan Programs | | | | | | | | | | |
| U.S. Department of Agriculture (USDA) | | | | | | | | | | |
| Rural Business Enterprise Grant | | | | | | \$185,000 | | | | \$185,000 |
| Economic Development Administration | | | | | | | 815,690 | | | 815,690 |
| Appalachian Regional Commission | | | | | | | | | 106,000 | 106,000 |
| | | | | | | \$185,000 | \$815,690 | | \$106,000 | \$1,106,690 |
| District Administrative Support Grants | | | | | | | | | | |
| Appalachian Regional Commission Local Development District Assistance | | \$9,655 | \$59,874 | | \$89,340 | | | | \$85,932 | \$244,801 |
| Economic Development Administration - Support for Planning Organizations | 53,941 | 52,611 | 36,787 | 46,454 | 69,267 | 52,695 | 98,556 | 55,540 | 50,928 | 516,779 |
| | \$53,941 | \$52,611 | \$36,787 | \$46,454 | \$69,267 | \$52,695 | \$98,556 | \$55,540 | \$50,928 | \$516,779 |
| Transportation and Housing Programs | | | | | | | | | | |
| Highway Planning and Construction | \$397,181 | | | | | | | | | \$397,181 |
| and Operating Assistance Formula Grant | 72,548 | | | | | | | | | 72,548 |
| U. S. Department of Housing and Urban Development Hope 3 | | | 216,646 | | | | | | | 216,646 |
| Grants | | | | | | 52,707 | | | | 52,707 |
| | \$469,729 | | \$216,646 | | | \$52,707 | | | | \$739,082 |
| Other Programs | | | | | | | | | | |
| Agency | | | | | \$7,076 | \$3,219 | | | \$9,275 | \$19,570 |
| Health Care Financing Research | | | | | | 34,699 | | | 202,306 | 237,005 |
| U.S. Department of Education Drug Abuse Prevention | 23,234 | | | | | | | | | 23,234 |
| | \$23,234 | | | | \$7,076 | \$37,918 | | | \$211,581 | \$279,809 |
| TOTAL | \$10,209,982 | \$2,928,719 | \$3,560,097 | \$3,114,087 | \$1,576,895 | \$3,506,323 | \$9,258,487 | \$3,416,582 | \$3,940,594 | \$41,511,766 |

NOTE: North Delta PDD is not included.
SOURCE: PDD audits and financial records.

Appendix D
Schedule of Mississippi Planning and Development District Assets for Four Major Loan Programs by District

As of June 30, 1997

| | Central Mississippi | East Central | Golden Triangle | North Central | North Delta | Northeast Mississippi | South Delta | Southern Mississippi | Southwest Mississippi | Three Rivers | Total for Ten PDDs |
|---|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------------|--------------------|-------------------------|--------------------------|--------------------|-----------------------|
| Mississippi Small Business Assistance | | | | | | | | | | | |
| Loans Outstanding | \$1,985,440 | \$1,448,570 | \$1,483,547 | \$2,201,652 | \$1,562,249 | \$1,860,521 | \$1,603,671 | \$1,676,400 | \$2,243,350 | \$1,945,919 | \$18,011,319 |
| Funds Available | | | | | | | | | | | |
| for Lending | 338,018 | 411,045 | 814,724 | 79,804 | 639,239 | 417,625 | 811,068 | 306,569 | 44,752 | 576,748 | 4,439,592 |
| | <u>\$2,323,458</u> | <u>\$1,859,615</u> | <u>\$2,298,271</u> | <u>\$2,281,456</u> | <u>\$2,201,488</u> | <u>\$2,278,146</u> | <u>\$2,414,739</u> | <u>\$1,982,969</u> | <u>\$2,288,102</u> | <u>\$2,522,667</u> | <u>\$22,450,911</u> |
| Minority Business Enterprise | | | | | | | | | | | |
| Loans Outstanding | \$1,164,655 | \$73,848 | \$388,154 | \$142,507 | \$31,412 | \$1,143,040 | \$1,048,707 | \$652,913 | \$150,709 | \$702,398 | \$5,498,343 |
| Funds Available | | | | | | | | | | | |
| for Lending | 150,299 | 28,652 | 102,388 | 223,176 | 45,543 | 434,975 | 439,121 | 152,057 | 3,829 | 448,706 | 2,028,746 |
| | <u>\$1,314,954</u> | <u>\$102,500</u> | <u>\$490,542</u> | <u>\$365,683</u> | <u>\$76,955</u> | <u>\$1,578,015</u> | <u>\$1,487,828</u> | <u>\$804,970</u> | <u>\$154,538</u> | <u>\$1,151,104</u> | <u>\$7,527,089</u> |
| Farmers Home Administration | | | | | | | | | | | |
| Loans Outstanding | | | | | \$1,322,285 | \$1,351,700 | \$2,437,814 | | \$1,071,344 | \$3,170,082 | \$9,353,225 |
| Funds Available | | | | | | | | | | | |
| for Lending | | | | | 201,651 | 431,612 | 1,105,602 | | 82,682 | 728,801 | 2,550,348 |
| | | | | | <u>\$1,523,936</u> | <u>\$1,783,312</u> | <u>\$3,543,416</u> | | <u>\$1,154,026</u> | <u>\$3,898,883</u> | <u>\$11,903,573</u> |
| Total for Loan Programs with a Reporting Date of June 30, 1997 | | | | | | | | | | | |
| | <u>\$3,638,412</u> | <u>\$1,962,115</u> | <u>\$2,788,813</u> | <u>\$2,647,139</u> | <u>\$3,802,379</u> | <u>\$5,639,473</u> | <u>\$7,445,983</u> | <u>\$2,787,939</u> | <u>\$3,596,666</u> | <u>\$7,572,654</u> | <u>\$41,881,573</u> |

As of September 30, 1996

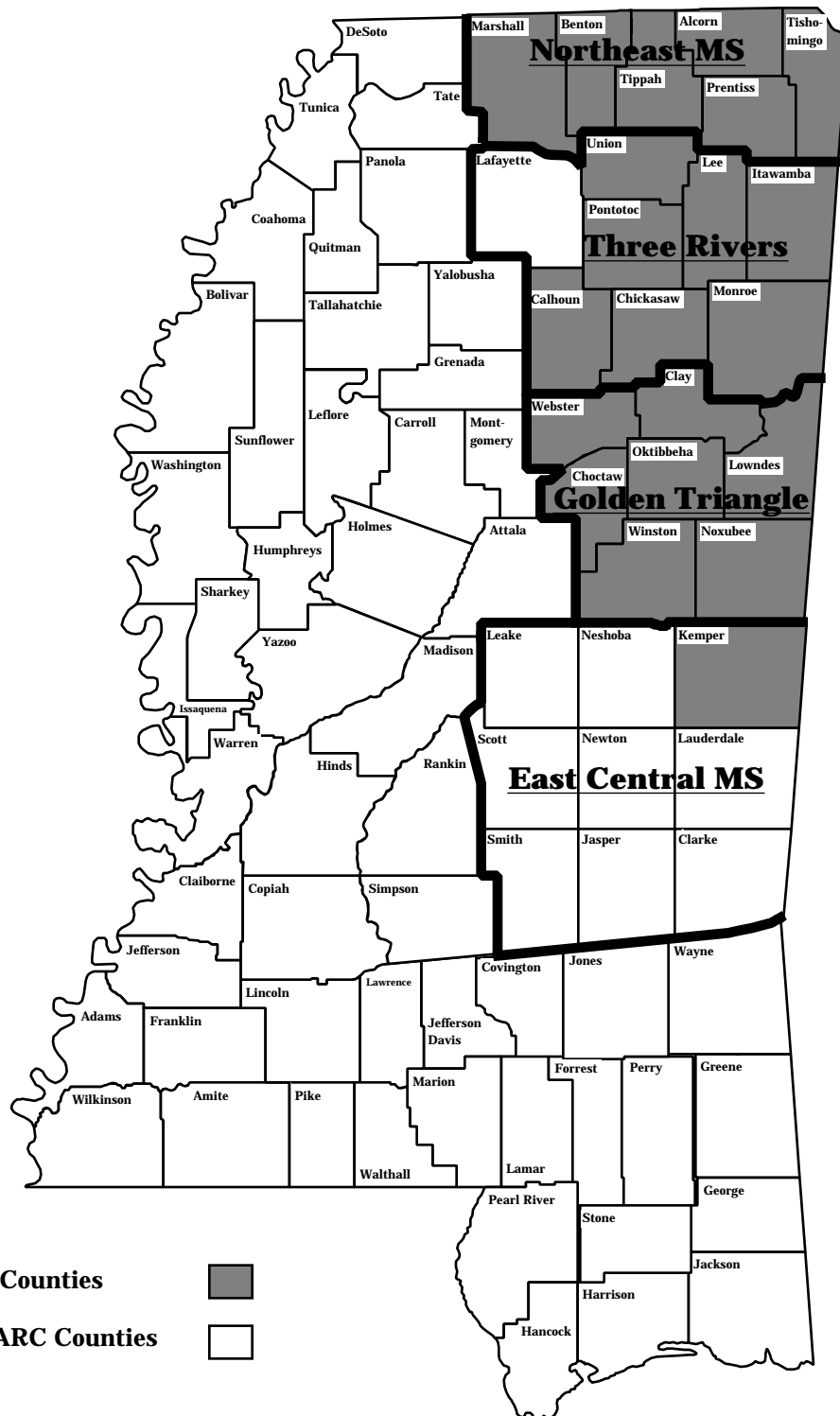
| | Central Mississippi | East Central | Golden Triangle | North Central | North Delta | Northeast Mississippi | South Delta | Southern Mississippi | Southwest Mississippi | Three Rivers | Total for Ten PDDs |
|---|------------------------|------------------|--------------------|------------------|------------------|--------------------------|--------------------|-------------------------|--------------------------|--------------------|-----------------------|
| Economic Development Administration | | | | | | | | | | | |
| Loans Outstanding | \$340,845 | \$432,587 | \$676,263 | \$700,687 | \$345,568 | \$2,358,771 | \$2,443,483 | \$3,518,812 | \$578,921 | \$1,802,034 | \$13,197,971 |
| Funds Available | | | | | | | | | | | |
| for Lending | 51,839 | 381,167 | 76,188 | 292,899 | 239,053 | 359,664 | 76,285 | 1,310,408 | 12,496 | 288,714 | 3,088,713 |
| Total for Loan Programs with a Reporting Date of September 30, 1996 | <u>\$392,684</u> | <u>\$813,754</u> | <u>\$752,451</u> | <u>\$993,586</u> | <u>\$584,621</u> | <u>\$2,718,435</u> | <u>\$2,519,768</u> | <u>\$4,829,220</u> | <u>\$591,417</u> | <u>\$2,090,748</u> | <u>\$16,286,684</u> |

NOTE: This schedule of assets was calculated by analyzing PDD regulatory reports and does not include any assets which may exist such as accrued interest receivable which are insignificant in amount.

SOURCE: Loan fund reports to state and federal authorities.

Appendix E

Counties Served by Appalachian Regional Commission Local Development Districts



ARC Counties



Non-ARC Counties



SOURCE: Appalachian Regional Commission documentation.

Appendix F

Detailed Assessment of the Statewide Economic Development and Planning Act (SEDPA) Requirements with Key Strategic Planning Elements for Economic Development and How the State is Performing Against the Key Elements

| Key Elements | Key Elements of Economic Development Planning | Are the Key Elements Addressed by SEDPA? | Have the Key Elements Been Addressed by the State? |
|------------------------------|--|---|---|
| Needs Assessment: | <p>Begins with an assessment of the current economic development environment which includes:</p> <ul style="list-style-type: none"> identifying key economic development players and reviewing existing planning efforts to determine plans' usefulness for identifying communities' needs, incorporating into the statewide plan, and monitoring achievement of statewide economic development goals; and, analyzing conditions and trends that could impact the planning process and identifying key development issues needing to be addressed. | <p>Partially. The legislative intent is to provide a process to coordinate state economic development planning. The act requires monitoring and implementation procedures that include identifying all public and private entities and programs available for achieving economic development goals. In the act, several key players are identified (e.g., PDDs, universities, and Department of Economic and Community Development [DECD]). The act states that the plan recommendations are to improve coordination and implementation of all economic development activities and programs identified. The act requires various analyses and evaluations of trends in the economy, taxing efforts, industrial recruitment, incentive programs, work force, minority businesses, etc.</p> <p>MISS. CODE ANN. Sections 57-63-23, -25, -29</p> | <p>Partially. As the initial planning documents prepared by the bureau and the first task force in the late 1980s have not been updated or revised as required, this element has not been fully addressed. The initial planning documents did involve various analyses, including identifying key players. However, the analyses did not involve detailed review of existing planning efforts by the key players. In addition, the Office of the State Auditor recently identified key economic development players and their associated strengths in a <i>1995 Statewide Performance Audit of Personnel and Benefits</i>.</p> |
| Stakeholder Input: | <p>Involves soliciting broad input from various stakeholders (i.e., citizens and public and private sector leaders) for building consensus on mission, goals, and objectives and ownership of the plan.</p> | <p>Yes. The act requires the planning process to be guided by a 23 person Special Task Force for Economic Development Planning (task force) with broad representation (i.e., PDDs, universities, and state agencies) appointed by the Governor. Prior to adopting economic development goals, the act requires a public hearing to be held in each PDD to receive public input.</p> <p>MISS. CODE ANN. Section 57-63-11, -21</p> | <p>Partially. As the initial planning documents prepared by the bureau and the first task force in the late 1980s have not been updated or revised as required, this element has not been fully addressed. However, the first task force was broadly represented. In addition, the bureau and task force provided various opportunities for stakeholder input during their initial planning efforts.</p> |
| Mission: | <p>Requires articulating a clear mission statement that guides the planning process.</p> | <p>Yes. The legislative intent is to provide a vision to encourage an environment conducive to entrepreneurship and rapid development of the state.</p> <p>MISS. CODE ANN. Section 57-63-3</p> | <p>No. As the initial planning documents prepared by the bureau and the first task force in the late 1980s have not been updated or revised as required, this element has not been fully addressed. The initial planning documents reveal no clear mission statement.</p> |
| Goals and Objectives: | <p>Involves stakeholder input on identifying, selecting, and prioritizing goals and developing quantifiable objectives to serve as performance measures for monitoring progress toward goal achievement.</p> | <p>Partially. The act requires identification of specific, quantifiable state economic development goals to be accomplished by the next succeeding five-, ten-, and twenty-year periods. Prior to adopting economic development goals, the act requires a public hearing to be held in each PDD to receive public input.</p> <p>MISS. CODE ANN. Sections 57-63-17, -21, -25</p> | <p>Partially. Although the bureau and the first task force initial planning efforts involved stakeholder input and related planning documents included goals, the goals were not prioritized or measurable.</p> |

Appendix F (continued)

Detailed Assessment of the Statewide Economic Development and Planning Act (SEDPA) Requirements with Key Strategic Planning Elements for Economic Development and How the State is Performing Against the Key Elements

| Key Elements | Key Elements in Economic Development Planning | Are the Key Elements Addressed by SEDPA? | Have the Key Elements Been Addressed by the State? |
|------------------------|--|---|---|
| Implementation: | Includes identifying resources needed to achieve economic development goals and objectives, assigning specific responsibilities and schedules, and establishing an oversight system that consists of monitoring and evaluation, and updating the strategic plan. | <p>Yes.</p> <p>The act establishes the Bureau for Comprehensive Long Range Economic Development Planning (bureau) within the University Research Center (URC) to develop and maintain a long range economic development plan to include:</p> <ul style="list-style-type: none"> • providing support to the task force responsible for conducting research, assisting the bureau in establishing measurable economic development goals, and making recommendations for achieving such goals, including funding implications. • formulating monitoring and implementation procedures which involve: <ul style="list-style-type: none"> -identifying all public and private entities and programs available for achieving economic development goals. Specifically, PDDs are to be used in determining goals and local priorities and reporting on local resources available for goal achievement. -specifying a format for preparing the annually required work programs which cover previous year accomplishments and one- and five-year plans. Each agency and institution of state government involved in economic development, including the Institute for Technology Development and the universities and colleges, is required to submit work programs to the DECD, bureau, and Joint Legislative Budget Committee (JLBC). PDDs are to submit Overall Economic Development Plans as required by the U.S. Department of Commerce Economic Development Administration along with the work programs. • analyzing and evaluating overall contributions toward goal achievement by the identified entities and programs and developing recommendations to improve coordination and plan implementation. In consultation with the task force and DECD, a legislative packet containing statutory actions required to implement the plan is to be developed. • presenting a minimum of three status reports each year to the JLBC and an annual presentation on plan revisions to the JLBC prior to the budget hearings which reports and assesses progress and makes recommendations for any program changes needed. <p>MISS. CODE ANN. Sections 57-63-3, -9, -11, -17, -37</p> | <p>Partially.</p> <p>Since the passage of the act in 1987, no long range economic development plan has been updated or revised. However, the URC did establish a format for the work programs and has been receiving and incorporating them into an annual Economic Development Report (includes the work programs submitted by the PDDs) that is submitted to the JLBC. However, this information has not been summarized in a form that would be useful to the Legislature and has not been used to update the economic development plan.</p> <p>In December 1988, the URC issued an economic development report entitled <i>Long-Range Economic Development Plan for Mississippi</i>. This plan includes various analyses and recommendations for improving economic development and includes public input received during meetings held by all of the PDDs.</p> <p>The task force was appointed by the Governor and began its work in late 1988. In December 1989, the task force issued an economic development document entitled <i>Seizing the Future: Commitment to Competitiveness</i> based on a series of reports developed by four committees (finance; economic process; human resources; and government, legal, regulatory, and infrastructure). The PDDs were involved in arranging and participating on seven regional congresses held throughout the state to provide input to the committees. Public input was also solicited via surveys and focus groups held throughout the state. The 1989 plan included qualitative goals and objectives and recommendations.</p> <p>In 1991, the Institutions of Higher Learning (IHL) discontinued allocating funds to the bureau for coordinating the development and annual updating of the long-range plan. In FY 1997, based upon IHL's request, the Legislature appropriated \$370,000 to IHL for the planning function. The Governor also recently re-appointed the task force.</p> |

SOURCE: PEER analysis of program documents and interviews.

Appendix G

State and Regional Economic Development Planning as a Basis for Planning and Development District Accountability

Economic development has been defined as raising the standard of living through making more efficient use of resources. Because several state and local government and private sector entities are involved in economic development activities and have limited funding, the state must coordinate and organize its resources if it is to improve substantially the economic well-being of its citizens. A planning process can serve as a first step in coordinating a state's economic development activities. Strategic planning requires prioritization of goals, which leads to the most efficient use of public resources. Additionally, strategic planning requires development of quantifiable objectives to serve as performance measures for monitoring progress toward goal achievement. By defining quantitative measures and tracking progress toward them, key economic development players can be held accountable for results. PDDs are one of the key economic development players in Mississippi. Through implementation of a strategic economic development planning process, the state would have a mechanism for monitoring PDDs' effectiveness in achieving state economic development goals.

The PDDs designated as economic development districts provide technical assistance services. As economic development districts, PDDs receive planning grants from the U. S. Department of Commerce's Economic Development Administration to prepare and update the annually required Overall Economic Development Program [now called an Economic Development Plan (EDP)]. The EDP process encourages development of an overall strategy to support economic development in the substate regions. In addition, the economic development plan is a comprehensive and integrated approach to regional planning in that strategies are developed to address both human service and economic development program areas. The planning grants support a staff person in each PDD who prepares and updates the economic development plan for the communities served. The planning grants are intended to facilitate the flow of federal and state assistance to communities through the PDDs helping communities prepare applications for funding needed to support projects identified in the economic development plan. The economic development plans are also used by the PDDs in providing comments on federal applications for funds subject to the intergovernmental review process. In addition, the economic development plans serve as the foundation for the work programs that are annually submitted by the PDDs to the bureau pursuant to the state planning act.

SOURCE: PEER analysis of EDA documents.

Appendix H

Information Provided in Federally Mandated Independent Auditor's Reports on PDDs

Audits of PDDs prepared by independent auditors provide the following information:

- **Audited financial statements**--From these audited financial statements, a user may determine the financial health of the PDD. For example, a user may determine the amount of cash held by the PDD, the assets and liabilities of the PDD, and the financial stability of the PDD.
- **Opinion on the PDD's financial position**--The auditor expresses an opinion on whether "the financial statements present fairly, in all material respects, the financial position of the PDD in conformity with generally accepted accounting principles." In other words, the auditor is asserting whether or not the financial statements presented in the report are a fair representation of the financial condition of the PDD.
- **Standards used in conducting the audit**--"The audit is conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States." These standards provide assurance the different audits are conducted on consistent standards.
- **Review of internal controls**--The independent auditor reviews the internal control structure of the PDD. As part of the review, the independent auditor conducts interviews with personnel, observes procedures, and performs tests of compliance with the internal controls.
- **Reports provided by the independent auditor:**
 - Independent Auditor's Report on the Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*,
 - Independent Auditor's Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs;
 - Independent Auditor's Report on Compliance Based on an Audit of General Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*,

Appendix H (continued)

- **Independent Auditor's Report on Compliance with the General Requirements Applicable to Federal Financial Assistance Programs;**
- **Independent Auditor's Report on Compliance with Specific Requirements Applicable to Major Federal Programs; and,**
- **Independent Auditor's Report on Compliance with Specific Requirements Applicable to Non-major Federal Awards Program Transactions.**
- **Other components of the report--**The independent auditor's report includes a list of material internal control weaknesses, audit findings, and questioned costs.

SOURCE: PEER analysis.

Appendix I

State Oversight Controls

Fiscal:

Agency files budget requests with Legislative Budget Office

State Legislature appropriates funds:

by major object

lump sum

State Treasurer maintains agency funds

State Fiscal Officer controls agency funds by:

enforcing major object limits through warrant process

monthly lump-sum drawdown

requiring agency to file monthly financial reports

requiring agency to file expenditure estimates

State Bond Commission approves agency's bonds

Agency's bonded indebtedness subject to legislative ceiling

Agency's bonded indebtedness subject to Constitutional debt ceiling

Agency expenditures governed by state purchasing law

Department of Finance and Administration approves agency leases

Agency travel expenditures subject to state travel law

DITS regulates agency's computer/telecommunications expenditures

State Auditor audits agency:

financial transactions and records

property (inventory)

Personnel-Related Fiscal and Operational:

State Legislature authorizes positions through agency appropriation

State Personnel Board approves agency:

positions, qualifications, and salaries

personal and professional service contracts

list of eligibles from which agency must hire

Agency employees subject to rules of PERS

Agency employees subject to rules of DFA's Office of Insurance

Governing Board:

appointment

terms of office

qualifications

Oversight by legislative oversight committee

Operational:

Agency authority, powers, and duties established in state law

Agency subject to open meetings law

Agency subject to open records law

Agency subject to administrative procedures law

Agency must file annual report with Governor, Legislature, Auditor

Agency employees and board members subject to state ethics laws

Agency subject to Lobbying Law Reform Act

Attorney General provides legal advice (other than AG opinions)

SOURCE: PEER analysis.

Appendix J

Job Training Partnership Act Service Delivery Areas in Mississippi

Following are the state's five Job Training Partnership Act Service Delivery Areas. Note that two Service Delivery Areas (italicized) are planning and development districts.

| Service Delivery Area (SDA) | Location | Counties Served |
|------------------------------------|--|---|
| <i>Central Mississippi SDA</i> | <i>Central Mississippi Planning and Development District (Jackson)</i> | Copiah, Madison, Rankin, Simpson, Warren, Yazoo |
| Gulf Coast SDA | Gulf Coast Business Services Corporation (Gulfport) | George, Hancock, Harrison, Jackson, Stone |
| Hinds County SDA | The Private Industry Council for Hinds County, Inc. (Jackson) | Hinds |
| <i>Three Rivers SDA</i> | <i>Three Rivers Planning and Development District (Pontotoc)</i> | Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc, Union |
| Mississippi SDA | Mississippi Service Delivery Area (Jackson) | Remaining 62 counties |

SOURCE: Information provided by the Mississippi Department of Economic and Community Development.

Appendix K

Summaries of Five Reports on Planning and Development Districts Prepared by Mississippi's Joint Legislative Committee on Performance Evaluation and Expenditure Review

The following summaries provide information on the scope of and issues raised in PEER's reviews of PDDs over the past twenty-one years. The current review did not follow-up on specific findings in earlier reviews. PDDs may have corrected some or all of the problems PEER noted.

- *An Investigation of the Three Rivers Planning and Development District, 1976 (#53)*

The financial records of the Three Rivers Planning and Development District (TRPDD) were audited by a CPA who monitored its basic grant from the Appalachian Regional Commission. No audits were made by any CPA or agency on any other grants received by Three Rivers. Neither the federal government nor the state provided effective control over Three Rivers or any of the ten planning and development districts.

In addition, PEER auditors found examples of excessive salaries and other questionable expenditures.

(In 1980, PEER completed a limited review of TRPDD records for fiscal year ending June 30, 1979, and concluded that the problems identified in the 1976 investigation of the district were corrected for the period audited.)

- *An Expenditure Review of Southern Mississippi Planning and Development District, 1977 (#69)*

The Southern Mississippi Planning and Development District (SMPDD), a nonprofit corporation of fifteen counties in south Mississippi, was established to provide planning and technical assistance. Information and referral services, transportation, and day care centers for the elderly as well as a senior aids program also were to be provided by the district. Finance, particularly the use of federal, state, and local funds for payment of salaries and expenses, was the focus of this review.

Based on this expenditure review, the committee suggested that SMPDD implement the recommendations made by the CPA firm, which audited each grant at the close of each fiscal year, and the Office of Audits, U.S. Department of Commerce. In addition, the

Appendix K (continued)

Committee recommended that SMPDD take a physical inventory to be placed on its computer system and make certain all expenditures were fully documented. An agency or commission should be established to oversee and assist the ten planning and development districts in the state. Further, it was recommended that the State Department of Audit conduct annual audits of each planning district.

- *Review of the Operations of the Inverness Nutrition Center, 1986 (#173)*

Sunflower-Humphreys Counties Progress operated a feeding site in Inverness, Mississippi, using federal funds controlled and monitored by the Mississippi Council on Aging. PEER determined that complaints made by aged clients relative to the operation of the feeding site were valid. These complaints included: (1) requiring clients to bear a portion of the costs of operating the center; (2) allowing center employees to expend funds belonging to the clients; and (3) inadequate allocation of travel funds to properly supervise the feeding program.

- *A Review of the Administration and Funding of Programs for the Aging in the Southwest and Southern Mississippi Planning and Development Districts, 1989 (#219)*

PEER reviewed operations of the Southwest and Southern Mississippi Planning and Development Districts and determined that neither had violated federal Older Americans Act regulations relative to programs for the aging. PEER did identify areas of administrative and procedural weakness affecting service delivery to aged citizens in these districts.

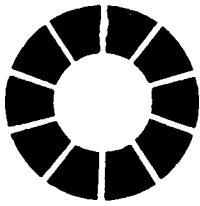
- *Review of the Northeast Mississippi Planning and Development District's Revolving Loan Fund, 1991 (#263)*

The Northeast Mississippi Planning and Development District (NMPDD) operates a revolving loan fund to promote long-term economic growth by creating jobs and stimulating private investment. The district's credit policies have not been consistent with federal and internal lending regulations or sound banking principles. The district made loans to parties related to district employees and agents by business or marriage, which may violate federal conflict of interest guidelines. NMPDD also has not followed

Appendix K (continued)

federal grant agreement conditions prohibiting one district employee from association with certain grant programs, thus jeopardizing the district's funding from that federal agency.

SOURCE: Joint Legislative Committee on Performance Evaluation and Expenditure Review.



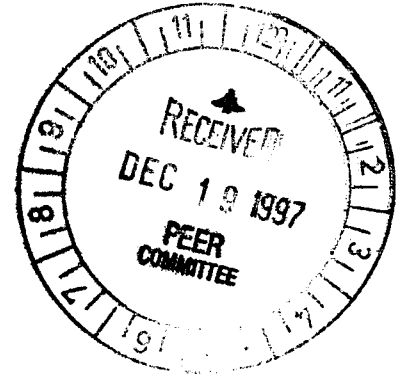
Agency Responses

MISSISSIPPI ASSOCIATION OF PLANNING AND DEVELOPMENT DISTRICTS

POST OFFICE BOX 4935 • JACKSON, MS 39296 • (601) 981-1511 • FAX (601) 981-1515

December 17, 1997

Dr. Max Arinder,
Executive Director
PEER Committee
222 North President Street
Jackson, MS 39201



Dear Dr. Arinder:

On behalf of this association we express our appreciation to your staff for the professional manner in which they conducted the review of the Planning and Development Districts. We have read your draft report and feel that it is reasonably accurate and contains much useful information.

This association and its membership, as well as the individual members of the Boards of Directors of each Planning and Development District, will give due diligence to all the recommendations and advice provided by this report. Those over which we have some measure of responsibility and control will be given proper consideration for implementation. As always, we will continue to comply with all appropriate laws, regulations, requirements and guidelines to which we are subject.

Again, thank you very much for your time and cooperation in this important matter.

Sincerely,

Don Elder
President

MISSISSIPPI



INSTITUTIONS OF HIGHER LEARNING

University Research Center
Bureau for Long Range Economic Planning

January 5, 1998

Ms. Jacqui Hatfield
Mississippi Performance Evaluation and Expenditure Committee
P.O. Box 1204
Jackson, MS 39215-1204

RE Mississippi's Planning and Development Districts Assessment

Dear Ms Hatfield:

Thank you for allowing the Bureau for Long Range Economic Development Planning to respond to PEER's recommendations for Mississippi's planning and development districts. We certainly agree with your assessment of the need for development, effective coordination and implementation of a long range statewide economic development plan.

The Bureau of Long Range Economic Development Planning and the Special Task Force for Economic Development Planning will fulfill their statutory responsibilities and have an up-to-date statewide economic development plan that will include prioritized goals and performance measures for monitoring progress towards those goals. Various reports will be made annually to the Legislature by the bureau and the Special Task Force showing progress made in coordinating and implementing a statewide economic development plan.

We appreciate your support of what we believe to be an important part of the overall economic development of the State of Mississippi.

Sincerely,


Pete Walley, Director

Bureau for Long Range Economic Development Planning

STATE OF MISSISSIPPI



DEPARTMENT OF HUMAN SERVICES

Donald R. Taylor

Executive Director

December 18, 1997


Max Arinder, Ph.D.
Executive Director
PEER Committee
Post Office Box 1204
Jackson, Mississippi 49215-1204

Dear Dr. Arinder:

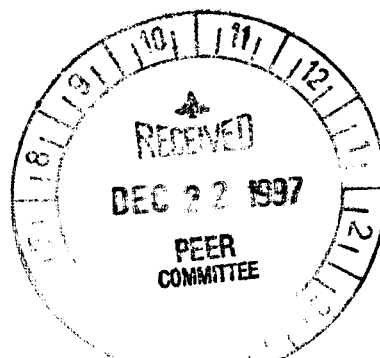
Mississippi Department of Human Services (MDHS) was asked to come and review the PEER Draft Report on the PDDs on 12/11/97. Stewart Murphy, David Mitchell and Robert Moore of my staff came and reviewed the draft report and found it to be correct as it related to MDHS programs. However, one change was requested. It involved adding language to one page to ensure that no one is confused about who is responsible for administering the JTPA program. It was described as a human service program and MDHS staff was concerned that JTPA could be construed as an MDHS program. According to Jackie Hatfield, that change was made; therefore, we find the report to be correct as it relates to MDHS.

If you have any questions, please do not hesitate to contact me.

Sincerely,


Donald R. Taylor
Executive Director

DRT:klm





**STATE OF MISSISSIPPI
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT**

JAMES B. HEIDEL
EXECUTIVE DIRECTOR

December 29, 1997



Max K. Arinder, Ph.D.
Executive Director
PEER Committee
222 North President Street
Jackson, Mississippi 39201

Dear Dr. Arinder:

Thank you for providing an opportunity to respond to the review of Mississippi's Planning and Development Districts. While we appreciate this opportunity to respond to the role of the Mississippi Department of Economic and Community Development regarding the PDDs, I must point out that it is impossible to properly respond to a report that took your staff months to research and compile while allowing my staff less than two weeks during the holidays to review the draft report and prepare our response. Three MDECD divisions, in addition to the Director's Office, needed to review the report in order to make a complete response. I also question your policy of limiting the report review to on-site visits at your office. This places those few allowed to review the report at a distinct disadvantage of either having to take voluminous notes or remember everything they read in order to discuss the questions raised with the staff directly involved with the program in order to prepare a response.

Regarding your staff's findings and recommendations, I first wish to disagree with your assessment of MDECD's oversight role regarding the PDDs. Under current law, state agencies are very limited in their authority over PDDs and should only be held accountable for monitoring to ensure that the public monies they pass through to the PDDs accomplish the specific purposes for which they were intended. Programmatic and fiscal oversight of the PDDs is primarily the responsibility of their respective boards. The PDDs do not work for MDECD or any other state agency. To get full accountability and oversight of the PDDs, the Legislature would have to change the PDDs from a non-profit creature of local governments to a state agency or place them within an existing state agency.

Max Arinder, Ph.D.
December 29, 1997
Page 2

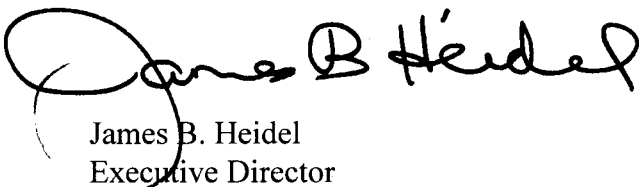
Somehow the question of whether PDDs are achieving their objectives got expanded by the PEER staff to "Is the state achieving its economic development objectives?" with the implication that the Special Task Force for Economic Development Planning is not fulfilling its statutory responsibilities. As Chairman of this Task Force, I can assure you that this group, which meets monthly, will comply with its statutory duty by filing its report to the Legislature at the time directed by law.

Regarding MDECD oversight of loan programs, I can assure you that we are complying with the statute that established the Mississippi Small Business Assistance Program (MSBAP) and the Minority Business Enterprise Loan Program (MBE). PEER interpreted the statutes differently and offers opinions on how our agency should improve the administration of these programs without an in-depth knowledge of how the programs operate. These programs are administered by the staff of the Mississippi Business Finance Corporation (MBFC). The technical assistance provided by MBFC staff, the credit approval process as dictated by state law, and the method established and information obtained on reports received from the PDDs have provided DECD with the tools needed to adequately oversee the programmatic and fiscal integrity of the loan programs.

PEER also suggests establishing a system to monitor fairness and complaints under MSBAP and MBE. We are unaware of any degree of unfairness or any widespread complaints and point out that PEER offered no reference to any specific instances of either; therefore, we do not see the necessity of establishing another level of bureaucracy.

Please do not hesitate to contact me if you have questions relating to this response.

Sincerely,



James B. Heidel
Executive Director

PEER Staff

Director

Max Arinder, Executive Director
Ava Welborn

Administration and Support Division

**Steve Miller, General Counsel and
Controller**

Shirley Anderson
Thelisa Chapman
Louwill Davis
Sam Dawkins
Larry Landrum
Pat Lockett
Mary McNeill
Pam Sutton

Evaluation Division

James Barber, Division Manager
Kathleen Sullivan, Division Manager

Michael Boyd
Ted Booth
Katherine Stark Frith
Barbara Hamilton
Jacqui Hatfield
Dale Hetrick
Kelly Lockhart
Joyce McCants
David Pray
John Ringer
La Shonda Stewart
Linda Triplett
Larry Whiting
