



# OFFICE OF THE AUDITOR GENERAL

July 8, 2025  
Performance Audit

## Follow-Up Report

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### Performance Audit of the Economic Development for a Growing Economy (EDGE) Tax Credit Program Audit Follow-Up

In June 2020, the Office of the Auditor General (OAG) released a performance audit of the Department of Commerce and Economic Opportunity's (DCEO or Department) Economic Development for a Growing Economy (EDGE) Tax Credit Program. As part of the Fiscal Years 2021 and 2022 State compliance examination of the Department, follow-up was performed on the six recommendations, and it was determined the Department had implemented one recommendation and partially implemented five recommendations. During the Fiscal Years 2023 and 2024 State compliance examination auditors followed up on the five remaining recommendations. The current status of the recommendations is shown in the table below. All six recommendations have now been implemented.

#### STATUS OF PERFORMANCE AUDIT RECOMMENDATIONS

As of June 30, 2024

Rec. No.	Recommendation Description	Agency	Current Status		
			Implemented	Partially Implemented	Not Implemented
1	EDGE Program Act Modifications	DCEO	X		
2	EDGE Program Act Eligibility Criteria	DCEO	X		
3	EDGE Program Application Documentation	DCEO	X		
4	EDGE Program Monitoring Documentation	DCEO	X		
5	Compliance with Laws, Rules, and Agreements	DCEO	X		
6	Timeliness of Tax Credit Process	DCEO	X		

Source: Summary of OAG follow-up.

#### Recommendation 2: EDGE Program Act Eligibility Criteria

*The Illinois Department of Commerce and Economic Opportunity should seek clarification from the General Assembly related to specific guidance on what evidence is necessary to determine proof of incentives available from other states and guidance related to residency requirements for the EDGE Tax Credit Program.*

#### Current Status: Implemented

Public Act 102-1125 amended the Economic Development for a Growing Economy Tax Credit Act (35 ILCS 10/5-25) (Act) effective February 3, 2023, to require a certification from the applicant that if not for the EDGE Tax Credit, the project would not occur in Illinois. Additionally, Public Act 102-1125 removed the requirement to demonstrate by evidence that receipt of the Credit is essential to the Applicant's decision to create new jobs in the State, such as providing the magnitude of the cost differential between Illinois and a competing State. In addition, the requirement that applicants seeking an increase in the maximum amount of the Credit for retained employees, to provide evidence the Applicant has multi-state location options and could reasonably and efficiently locate outside of the State or demonstrate that at least one other state is being considered for the project was removed. Furthermore, the language was modified to require a cost differential of competing states to only be required for agreements entered before February 3, 2023.

The Department determined that new hires did not have to be Illinois residents as clarified by the Department's Frequently Asked Questions regarding the EDGE Tax Credit Program. Therefore, the Department did not need to consult with the General Assembly to create clarifications for residency requirements in the statutory code.

### **Recommendation 3: EDGE Program Application Documentation**

*The Illinois Department of Commerce and Economic Opportunity should develop internal controls, hire adequate staff, and develop policies and procedures to ensure that it receives and maintains all application documentation required by the Economic Development for a Growing Economy Tax Credit Act (35 ILCS 10/) and the Administrative Code (14 Ill. Adm. Code 527).*

#### **Current Status: Implemented**

Auditors met with the EDGE program leadership and walked through the process followed to ensure all application documentation is received, complete, and properly adheres to the requirements. We noted the following processes and controls:

- The EDGE Program implemented two new training manuals, the EDGE Annual Reporting Training Manual and EDGE Training Manual, on December 12, 2023, to ensure that it receives and maintains all application documentation required by the Economic Development for a Growing Economy Tax Credit Act. New hires are provided with a copy of the manuals and required to read through them upon hire.
- The Department has a shared drive, which acts as the repository for all documents for applicants. The drive has access restrictions that only allow the EDGE team and Regional Economic Development Team (RED Team) to access it. The RED Team has access due to its involvement with applicants. Auditors reviewed the documents associated with one applicant and noted it was dated the same day it was received.
- The Department created a shared Excel file that EDGE program interns, staff, and leadership have access to. The file tracks each required step in the approval process for an application. The file tracks the dates that documents are received and processed.
- The EDGE program staff and its leadership have weekly meetings to ensure the applications are progressing in a timely manner.
- An Incentive Letter Summary is provided prior to sending acceptance of an application. The Incentive Letter Summary is a letter summarizing the application documents provided and explains what the applicant needs to do to remain in good standing with requirements of the program. The Department also holds meetings with the Director's office, EDGE leadership, legal, and the staff of the EDGE team to review the components of the Incentive Letter Summary to ensure all requirements have been met. After approval of the letter, a formal acceptance is sent to the applicant, and they have 30 days to accept the agreement.

Additionally, the Department provided an updated Office of Business Development Organizational Chart, which shows 6 total positions for the Large Business/EDGE Section. This demonstrates that the Department is taking steps towards adequate staffing.

Based on the procedures performed, auditors noted the Department developed internal controls, hired adequate staff, and developed policies and procedures to ensure that it receives and maintains all application documentation required by the Economic Development for a Growing Economy Tax Credit Act (35 ILCS 10/) and the Administrative Code (14 Ill. Adm. Code 527).

### **Recommendation 4: EDGE Program Monitoring Documentation**

*The Illinois Department of Commerce and Economic Opportunity should develop internal controls, hire adequate staff, and develop policies and procedures necessary to reconcile its EDGE program monitoring documentation sources and generate an accurate listing of active EDGE agreements and tax credits issued. Additionally, DCEO should create a unique project numbering system and maintain complete and accurate programmatic documentation necessary to report on effectiveness such as jobs created or retained and the revenue impact of the program.*

#### **Current Status: Implemented**

Auditors noted the Office of Business Development (OBD) increased its dedicated EDGE staff to four members. Additionally, the Department developed policies and procedures to reconcile the program's documentation sources. The Department also maintains an accurate listing of active EDGE agreements and issued tax credits on a secure, common drive. Auditors reviewed the Department's procedures to generate this listing during our walkthroughs and noted that the listing is complete and accurate. Active EDGE agreements and issued tax credits are publicly shared through annual reports.

Issued tax credits are maintained in multiple places other than the common drive noted above. They are also included in a submission portal where all EDGE tax reports must be submitted to receive a tax credit. Each issued tax credit has a unique ID number. Additionally, the Department and the Illinois Department of Revenue maintain a joint database that includes this unique number for each issued tax credit.

Weekly, the OBD's Assistant Deputy Director meets with EDGE program staff to ensure applications for participation in the EDGE program and tax credit certificates are being tracked, reviewed, and processed in a timely manner. Annually and biennially, the Department maintains documentation that provides context on the program's effectiveness, including jobs created, jobs retained, and the overall revenue impact. Auditors obtained the one biennial report released during the engagement period and corroborated the content of the report.

Auditors obtained a listing of all EDGE Company Reports and EDGE Tax Certificates Issued during the engagement period. We confirmed the listings documented continued compliance and the total number of tax credits approved, number of jobs created, and total amount of capital investment without exception.

Based on the procedures described above, the Department developed internal controls, hired adequate staff, and developed policies and procedures necessary to reconcile its EDGE program monitoring documentation sources and generate an accurate listing of active EDGE agreements and tax credits issued. Additionally, the Department created a unique project numbering system and maintained complete and accurate programmatic documentation necessary to report on effectiveness, such as jobs created or retained and the revenue impact of the program.

### **Recommendation 5: Compliance with Laws, Rules, and Agreements**

*The Illinois Department of Commerce and Economic Opportunity should comply with the Economic Development for a Growing Economy Tax Credit Act and should: evaluate the EDGE program on a biennial basis as required by Section 5-75; provide sufficient personnel for operation of the EDGE program as required by Section 5-10(g); seek clarification by the General Assembly on how to proceed with the makeup of the Business Investment Committee, Section 5-25, since the Illinois Economic Development Board was repealed on July 20, 2018; develop procedures to obtain documentation that substantiates any offers or prospects from other states as required by Section 5-25; and ensure that the information in its Annual Reports is complete and accurate.*

### **Current Status: Implemented**

The Department provided the biennial report submitted during calendar year 2023. The report includes a listing of tax credits issued, jobs created and retained, and the revenue generated from the EDGE program. Auditors believe the Department is properly evaluating the EDGE program on a biennial basis from our review of the report.

During Fiscal Years 2023 and 2024, the Department created six dedicated positions in the EDGE program and currently has staffed four of those six positions. During a walkthrough with the EDGE leadership team, it was noted they are actively trying to fill the remaining two positions, one being dedicated for a Graduate Public Service Internship intern. With the four positions being filled, it appears the Department has sufficient staff for carrying out the operations of the EDGE program.

The Department sought a remedy to the requirements of Section 5-25 of the Act, which resulted in no longer requiring the Department to create a Business Investment Committee. Additionally, the Act no longer requires documentation to substantiate offers or prospects from other states for agreements entered into after the effective date of the amendatory Act of the 102<sup>nd</sup> General Assembly (Public Act 102-0333).

Auditors reviewed the annual reports submitted during the engagement period and noted the reports appear complete and accurate when comparing them to the previously mentioned generated listings and the Department's website.

## **Recommendation 6: Timeliness of Tax Credit Process**

*The Illinois Department of Commerce and Economic Opportunity should ensure that businesses are providing the required information, and it is issuing tax credits within the required timeframes outlined in the EDGE agreements.*

### **Current Status: Implemented**

Auditors noted the OBD continues to issue annual tax credits in a timely manner and within the required timeframes outlined in the EDGE agreements. Companies are required to submit true and accurate submissions, and the OBD consistently works with EDGE stakeholders to verify the accuracy of their submissions before issuing the respective tax credits within weeks.

To assist stakeholders in submitting their annual tax reports, the OBD developed an "EDGE Toolbox" that includes detailed FAQs and updated reporting requirements. Additionally, the OBD provides technical assistance through an annual webinar and offers individual technical assistance trainings upon request.

The OBD transitioned its solicitation of annual EDGE tax reports into a Smartsheet submission portal, which features built-in logic to ensure the completeness of each company's submission. With increased staff, the OBD has eliminated the backlog of annual tax reports. Each report is reviewed by at least two trained EDGE staff members and approved by the EDGE program manager, Assistant Deputy Director, and Director within the allocated timeframe. During our walkthrough, we reviewed the Smartsheet process that is utilized by the EDGE program and noted the system has a timeline that notifies staff of the turnaround dates for applicants. We utilized the certifications selected for testing and performed timeliness testing, noting no exceptions in the 40 certifications tested.

The EDGE staff and the Assistant Deputy Director review the overall status of submissions on a weekly basis to ensure timely reviews and approvals. This process allows the Assistant Deputy Director to detect potential delays early and take corrective action as needed.

*Follow-up was conducted as part of the Fiscal Years 2023 and 2024 State compliance examination by our special assistant auditors, Sikich. This was the second time follow-up has been done on the recommendations from the June 2020 performance audit.*