



Microenterprise Development Program Meets Statutory Objectives But Department of Commerce Oversight Is Inadequate

Proposed Final Report
Joint Legislative Audit & Review Committee
January 11, 2012
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Presentation Focuses on 3 Things

- Brief review of the state program
- Conclusions and recommendations
- Agency responses

What Is a Microenterprise?



Three Characteristics

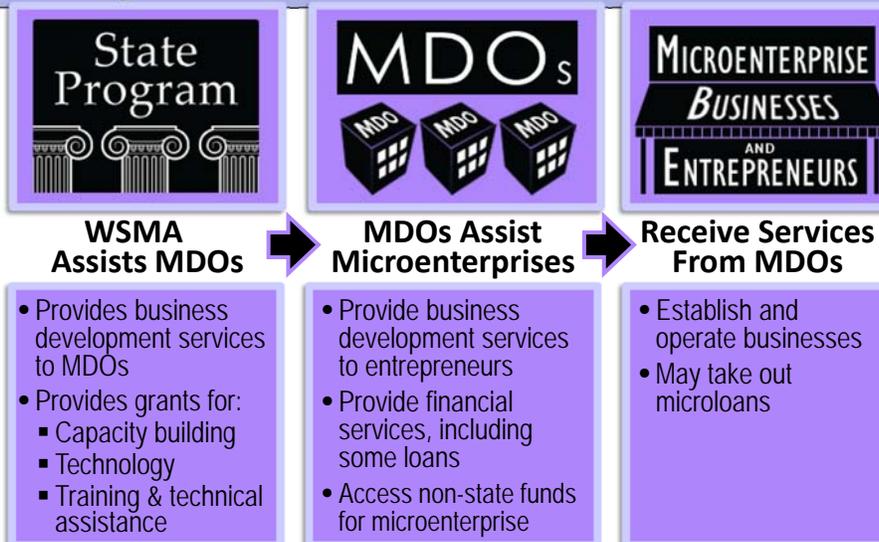
- 1** Employs 1–5 people, including owner
- 2** Requires no more than \$35K–\$50K in start-up capital
- 3** Lacks access to conventional forms of financing

In 2009, employed 598K people in WA

- Including 389K self-employed persons

Employ people in a broad range of industries from manufacturing to farming

How Does Washington's State Program Work?





Program Is Consistent with Statutory Purpose



- Is the program creating microenterprises?
 - Entrepreneurs who received assistance from MDOs related to state grants are operating businesses
- Is the program improving microenterprise access to capital?
 - WSMA matched state funds at 45%
 - MDOs matched state grants at 86%
- Is there leveraging of state funds?
 - MDOs reported leveraging \$866,000 of leveraged non-state funds in addition to match



JLARC's Extensive Analysis Allows Conclusions About WSMA



- WSMA has fulfilled its contractual obligations
- WSMA assists MDOs to help entrepreneurs establish and maintain microenterprises
- WSMA's actions are consistent with the purposes of the state program



Commerce Is Not Providing Required Organizational Support



Statute requires Commerce to provide WSMA with “organizational support.”

| | |
|---|-----------------------------------|
| Does Commerce have any program staff or management assigned to this program or otherwise engaged with this program? | Not since 2010 |
| Does Commerce provide technical assistance to this program? | Not since 2010 |
| Can WSMA staff readily reach Commerce staff with authority to answer questions? | No |
| Does the Commerce website link users interested in microenterprise to this program? | Unable to find program on website |



Commerce Is Not Providing Required Organizational Support



Recommendation #1

The Department of Commerce should comply with the statute and provide organizational support to the Washington State Microenterprise Association.

*Department of Commerce Does Not Concur.
WSMA Concur.
OFM had no comment.*

Auditor’s Response is in Appendix 2A.



Commerce Has Inadequate Reporting & Verification Processes



| | |
|--|-----|
| Are performance measures clear and defined? | No |
| Are there minimum performance thresholds for compliance? | No |
| Are progress reports required? | Yes |
| Is required documentation adequate to support progress statements made in progress report? | No |



Commerce Has Inadequate Reporting & Verification Processes



Recommendation #2

The Department of Commerce should develop measurable performance targets for its contract with WSMA and should establish a process to verify that the WSMA has met the requirements of the contract.

*Department of Commerce Partially Concurs.
WSMA Concurs.
OFM had no comment.*

Auditor's Response is in Appendix 2A.

Contact Information



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