



STATE OF WASHINGTON

September 22, 2025

Honorable Pat McCarthy
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor McCarthy:

We have reviewed the State Auditor's Office (SAO) performance audit report, "Improving Performance Management in Economic Development Programs." The Department of Commerce, through the Office of Economic Development and Competitiveness (OEDC), appreciates SAO's collaborative approach and the work that went into this report.

We also recognize your staff's effort to better understand the OEDC portfolio and the complexities of shifting from leading pandemic recovery amid leadership changes to resuming strategic planning and execution of the state's long-term economic development goals.

Commerce agrees with the recommendations in the report. We appreciate the acknowledgment that the findings on the development of a statewide economic development strategic plan reflect work already in progress and emphasize the importance of its completion. Commerce recognizes that recent funding reductions and emerging federal policies pose resource challenges that continue to require active management and have lengthened the time it will take to complete the plan.

Commerce is committed to the completion of this important work. Implementing the recommendations outlined in this report reflects our commitment to transparency and accountability and helps ensure we meet the needs of Washington communities.

Sincerely,

K.D. Chapman-See
Director
Office of Financial Management

Joe Nguyễn
Director
Department of Commerce

cc: Shane Esquibel, Chief Operations Officer, Office of the Governor
Franklin Plaistowe, Deputy Chief Operations Officer, Office of the Governor
Kenneth Martin, Policy Director, Office of the Governor
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OFFICIAL RESPONSE TO THE PERFORMANCE AUDIT ON IMPROVING PERFORMANCE MANAGEMENT IN ECONOMIC DEVELOPMENT PROGRAMS – SEPTEMBER 22, 2025

This Office of Financial Management and the Department of Commerce provide this response to the State Auditor's Office (SAO) performance audit report received on August 25, 2025.

SAO PERFORMANCE AUDIT OBJECTIVES:

The SAO sought to answer this question:

1. Which leading practices can help the Department of Commerce improve performance management of its economic development programs?
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Recommendations 1-6 to Commerce in brief:

SAO Recommendation 1: To ensure the greatest likelihood of success in developing OEDC's economic development strategic plan:

1. Seek input from stakeholders in the planning process to ensure community and business needs are addressed.

STATE RESPONSE: Commerce agrees with this recommendation. The Department agrees that engagement and input from communities around the state are key to creating a meaningful statewide economic development plan. As stated in the Auditor's conclusion, fostering a statewide economic development plan is complex, especially given the state's diverse economic regions and their varying challenges.

As identified in the Auditor's report, the reduction of state resources contributed to the restructuring of OEDC, and current vacancies are affecting the timeline for this work.

Action Steps and Time Frame

- The OEDC will continue robust stakeholder outreach to ensure communities' needs are incorporated into the Statewide Economic Development Plan. *By March 31, 2026.*
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SAO Recommendations 2:

2. Analyze internal capacity and external factors that impact OEDC's ability to accomplish its goals and objectives.

STATE RESPONSE: Commerce agrees that utilizing strategic planning methodologies like the "Strengths, Weaknesses, Opportunities and Threats" analysis (SWOT analysis) will assist in creating a robust plan. This method will support the research and analysis of the state's economic development ecosystem, enabling a focus on opportunities.

As identified in the Auditor's report, the reduction of state resources contributing to the restructuring of OEDC and current vacancies are affecting the timeline of executing this body of work.

Action Steps and Time Frame

- Incorporate SWOT analysis methodology in developing the statewide economic development plan. *By June 30, 2026.*
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SAO Recommendations 3:

3. Establish vision, goals, objectives and strategies, which identify what the division plans to achieve and how it plans to do so.

STATE RESPONSE: Commerce agrees that establishing vision, goals, objectives and strategies is important to creating a performance management framework. This is the intended outcome of the statewide economic development plan and will guide OEDC as the lead coordinator for the diverse economic ecosystem in Washington.

As identified in the SAO's report, the reduction of state resources contributing to the restructuring of OEDC and current vacancies are affecting the timeline of this body of work.

Action Steps and Time Frame

- Establish vision, goals, objectives for OEDC. *By March 31, 2026.*
 - Identify strategies that directly affect OEDC's goals and objectives. *By June 30, 2026.*
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SAO Recommendations 4:

4. After developing the strategic plan, ensure programs' goals and objectives align with the overarching plan and develop relevant performance measures and targets.

STATE RESPONSE: Commerce agrees with this recommendation. As programs advance the goals and objectives of the statewide economic development plan, OEDC will leverage these opportunities to provide data that ensure alignment between resources and agency goals.

Regular analysis of a program's performance through the following recommended tools: collecting data, monitoring and evaluating results aligns with the agency's expectation of transparent outcomes. While OEDC currently monitors and evaluates program outcomes, tying these activities to a complete strategic plan ensures that resources directly support our strategic goals.

Action Steps and Time Frame

- Operationalize SMART criteria (specific, measurable, achievable, relevant and time-bound) in program development and design in alignment of the completed statewide economic development plan. *By June 30, 2026.*
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SAO Recommendations 5: To ensure the greatest likelihood of success in developing OEDC's performance management framework to assess progress:

5. Establish a performance management framework to gauge the plan's progress. The framework should include performance measures, performance targets, regular reviews by senior management, and annual assessments.

STATE RESPONSE: Commerce agrees with this recommendation. This framework is supported through the implementation of the statewide economic development plan which incorporates annual reporting of program outcomes and reassessment of the plan to meet the challenges of a dynamic, changing economic environment.

Action Steps and Time Frame

- Publish program progress reports in a timeframe that aligns with the biennial budget. *By October 1, 2027.*
 - Establish a schedule to update the statewide economic development plan at least every five years. *By July 31, 2030.*
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SAO Recommendations 6:

6. Develop a process to manage program performance through monitoring and evaluation. The process should include reviewing data collected against key performance measures, and analyzing program outcomes to guide future decision-making.

STATE RESPONSE: Commerce agrees with this recommendation. Analyzing program outcomes to guide future decision-making is a current practice in OEDC as identified in the report. The Associate Development Organization (ADO) program, as one of OEDC's longest running programs, is an example of this and will be a standard throughout. The following performance elements outlined in the report are present but need to be consistent across all programs:

- Scope of work
- Deliverables and timelines
- Performance targets and measures
- Measurable outcomes
- Language tying payments to deliverables

Action Steps and Time Frame

- Standardize the ADO performance elements in OEDC program development documentation. *By March 31, 2026.*
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