REPORT HIGHLIGHTS

OFFICE OF FILM, TELEVISION, AND MEDIA

PERFORMANCE AUDIT, MAY 2017

OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE

CONCERN

The Office of Film, Television, and Media (Film Office) lacks controls to ensure that it only pays incentives to production companies that qualify, to strategically target its incentive funds to provide the most benefit to the State, and to comply with statute in managing contracts and paying incentives. Further, the Film Office lacks information to assess the overall benefit it provides to the State.

KEY FINDINGS

- The Film Office paid about $1.9 million in incentives for the nine projects in our sample even though none of them met all requirements. This included $129,000 for projects that did not qualify for incentives and another $1.8 million for projects for which the Film Office lacked documentation to substantiate they qualified. The Film Office also paid incentives totaling $102,900 using the lower in-state spending threshold for two projects that do not appear to qualify under the in-state requirements. Paying incentives for projects without ensuring they qualify reduces the funds available for qualifying projects and diminishes the long-term economic benefit to the State.

- The Film Office paid about $1.9 million in incentives for productions without having contracts in place before the projects began. The majority of this ($1.3 million) was for projects for which no contract or purchase order was ever executed. Statute prohibits state agencies from disbursing funds unless the disbursement is supported by an approved purchase order or a contract.

- Film Office staff decide whether to approve an incentive based on undocumented conversations with interested companies and do not use uniform criteria to evaluate the extent to which a project supports the Film Office's strategic goals. The goals include offering funds to projects that provide the most economic development and to maximize job creation.

- The Film Office lacks complete and accurate information to assess and report on the effectiveness of its operations. Specifically, the Film Office does not collect data on full-time equivalent jobs created through the incentive program or the amount of income tax revenue the state collects due to these jobs.

BACKGROUND

- The Film Office was created in Fiscal Year 2012 to expand and revitalize the film industry in Colorado.

- One of the Film Office's major functions is to administer the State's film incentive program to encourage production in the State. The Film Office is also tasked with marketing Colorado as a destination for making films, television shows, commercials, and video games.

- A Colorado production project may receive an incentive if at least 50 percent of its employees are Colorado residents and it meets the following thresholds:
  - $100,000 spent in the state if the company is an in-state company.
  - $250,000 (for commercials, video games, and television shows) or $1 million (for films) spent in the state if the company is an out-of-state company.

- The Film Office paid a total of $10.6 million in incentives in Fiscal Years 2013 through 2016, for 31 productions, including 6 commercials, 4 documentaries, 7 feature films, 13 television shows, and 1 video game.

KEY RECOMMENDATIONS

- Implement controls to only pay incentives for projects the Film Office verifies as meeting the qualifications and that have contracts or purchase orders properly executed.
- Implement a documented application procedure, expand policies and procedures to include uniform criteria, and require documentation related to all potential incentive projects and approval decisions be maintained.
- Expand data collection and evaluation of the benefits of the incentive program and use complete and accurate data.

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