



# **Internal Audit Department**

## **Audit Report 2017-11**

**Job Creation Investment and Fee  
Payment Assistance Programs:**

**Haynes Corporation**

**Dwight E. Brock**  
**Clerk of the Circuit Court**  
**and Comptroller**

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The files and draft versions of audit reports are confidential and exempt from public records requests during an active audit under *Nicolai v. Baldwin* (Aug. 28, 1998 DCA of FL, 5<sup>th</sup> District) and Section 119.0713, Florida Statutes. Workpapers supporting the observations in this report become public record and will be made available upon request once the final audit report has been issued.

Internal Audit provided a draft of this report to the Office of Business and Economic Development for management response on October 9, 2017. County management provided that response on October 11, 2017.

## Summary

Staff from the Office of Business and Economic Development and the Clerk's Internal Audit Department conducted a site visit to Haynes Corporation (Haynes) to test that job creation and retention requirements were met in accordance with the Job Creation Investment and Fee Payment Assistance Programs.

These tests validated that Haynes has created and retained the required number of jobs paying more than \$34,320 in annual wages for the fiscal years under audit for both programs. As part of the Impact Fee Payment Assistance program, Haynes was required to pay its tax bill in full annually to the Tax Collector's office. Testing in this area validated that Haynes was in compliance with this requirement. Having satisfied all requirements under both programs, Haynes is eligible to be paid \$ 4,666.68 under the Job Creation Investment program and \$ 78,464.50 under the Fee Payment Assistance program.

## Objective

The objectives of this engagement were to validate that Haynes had paid its tax bill in full to the tax collector's office for the years under audit, and to validate that the number of eligible jobs were created and retained in accordance with Hayne's Incentive Agreements with Collier County.

## Scope

This engagement consisted of validating jobs created, retained, and their wages, including, but not limited to, the following:

- Reviewing Collier County Ordinances 2003-60, 2003-61, 2004-24, 2004-45, 2005-30, 2006-36, 2008-25, and 2008-46;
- Reviewing applicable Florida Statutes;
- Reviewing applicable Board of County Commissioners (BCC) agenda items and meeting minutes;
- Checking the Tax Collector's records of tax payments;
- Examining payroll and personnel records of Haynes;
- Visiting Haynes and interviewing its management; and
- Annualizing, averaging, and comparing pay rates of the jobs to program requirements.

## Background

The Job Creation Incentive program was a performance-based initiative authorized in Collier County Ordinance 2003-60, as amended. The program provided general revenue funding to businesses for the creation of jobs that met the criteria specified in the Ordinance. Those criteria, which varied by geographic location within Collier County, included minimum numbers of new jobs at or exceeding specific wage levels.

Collier County Ordinance 2003-60 stated that the program's purpose was "to promote and foster economic diversification through the retention and creation of high wage jobs in targeted industry clusters." Ordinance

2006-36 defined jobs as “limited to individual permanent legal residents of the United States who are employed in each new created position of employment at a primary location in Collier County, and as applicable maintained, as a result of the program.” Ordinance 2003-60 originally terminated this program on October 1, 2008, but on September 9, 2008, the BCC enacted Ordinance 2008-46, which extended the Job Creation Investment program through October 1, 2013.

The BCC approved a Job Creation Investment program agreement with Haynes on December 10, 2013, that would pay Haynes \$2,000 per job, spread over three-years, for up to 17 new jobs created in three phases. These jobs must average at least \$ 34,320 in annual wages and be held by a Collier County resident. The maximum payments under this agreement cannot exceed \$ 34,000. Haynes has previously earned and been paid \$ 29,333.32.

On July 13, 2017, Internal Audit observed the Office of Business and Economic Development’s validation of Haynes compliance with this program’s requirements. The audit validated Haynes’ retention of previously created and verified new jobs in Collier County for the testing period starting August 1, 2013 and ending July 31, 2015. Specifically this audit validated the following:

- Haynes maintained 3 jobs (Phase II), initially validated at July 31, 2012, through the third and final year ending July 31, 2014.
- Haynes maintained 2 jobs (Phase III), initially validated at July 31, 2013, through the second and third years ending July 31, 2014 and July 31, 2015, respectively.

By meeting the terms of its Job Creation Investment program agreement, Haynes has earned the final installment payment of \$ 4,666.68.

The Fee Payment Assistance program was a performance-based Collier County initiative authorized in Board of County Commissioners (BCC) Ordinance 2003-61, as amended. The program paid selected impact fees for eligible development projects. Eligibility criteria included the creation of minimum numbers of new jobs at or above specific wage levels. Ordinance 2003-61 states that the program’s purposes were to:

- 1) Provide a performance-based program offering financial relief for eligible targeted industry development or expansion projects in Collier County to mitigate the effects of rising Impact Fee rates;
- 2) Provide for the economic well-being of Collier County residents by providing high-wage employment opportunities in Collier County;
- 3) Lessen the seasonal cycle of Collier County’s economy; and
- 4) Encourage investment opportunities for new or existing companies thus increasing and diversifying the County’s tax base.

Ordinance 2003-61 originally terminated this program on October 1, 2008, but on September 9, 2008, the BCC enacted Ordinance 2008-46, which extended the Fee Payment Assistance Program to October 1, 2013.

The BCC approved an Impact Fee Payment Assistance agreement with Haynes on December 10, 2013, that would reimburse Haynes a portion of their impact fees for the project. The legal description for the property, located at 3581 Mercantile Avenue, Naples, was included in Exhibit A to the agreement. Haynes agreed to pay its tax bill in full to the Tax Collector’s office annually and to create and maintain 20 new jobs for six years at an average annual wage of not less than \$ 34,320 starting from August 1, 2010. (On September 26, 2017, the BCC approved, on consent agenda, item #16F7 which was an amendment to the agreement that corrected a “*scrivener’s error*” on the number of jobs required for validation. The amendment reduced the number of jobs required from 20 down to 17.) On January 13, 2012, Haynes prepaid \$ 82,110.94 of impact fees on the project, of which \$ 78,464.50 qualified for reimbursement under this agreement.

On July 13, 2017, Internal Audit observed the Office of Business and Economic Development's validation of Haynes compliance with this program's requirements. This audit validated Haynes' retention of the 17 previously created and verified new jobs in Collier County and the timely payment in full of its tax bill for the testing period starting August 1, 2013 and ending July 31, 2016.

By meeting the terms of its Fee Payment Assistance program agreement, Haynes has met its obligation and qualifies to receive a refund of impact fees in the amount of \$ 78,464.50.

## Management Response

*"I have reviewed the submitted Audit Report #2017-11 regarding Haynes Corporation's compliance with incentive criteria established by the Job Creation Investment Program and the Fee Payment Assistance Program approved December 10, 2013. I concur with the audit observations and consider Haynes Corporation in compliance with the obligations within the Job Creation Investment Program Agreement and the Fee Payment Assistance Program Agreement.*

*Staff appreciates the professional and pragmatic approach exhibited by the Internal Audit Department for this performance validation process. "*

## Conclusion

Haynes has complied with the requirements of both the Job Creation Incentive and Fee Payment Assistance Programs and has earned an economic incentive payment totaling \$ 83,131.18.

Internal Audit gratefully acknowledges the cooperation of both Haynes and the Office of Business and Economic Development's management and staff for their support in the audit process.