



Internal Audit Department

Audit Report 2017-1

Job Creation Investment Program:

**Animal Specialty Center of Florida,
LLC**

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Workpapers supporting the observations noted within this report are public record and can be made available upon request once the final audit report has been issued. The files and draft versions of audit reports remain confidential and protected from public records requests during an active audit under Nicolai v. Baldwin (Aug. 28, 1998 DCA of FL, 5th District) and Section 119.0713, Florida Statutes.

Internal Audit provided draft Audit Report 2017-1 to the Interim Director, Business & Economic Development, for management response on October 25, 2016. The Interim Director provided the management response on January 17, 2017.

Summary

This examination generated the following observations for the Job Creation Investment Program:

- Phase Two wages did not qualify for the Job Creation Incentive in 2014.
- Phase Three wages qualified for the Job Creation Incentive in 2014 and 2015.

Objective

The objective of the engagement was to validate the number and eligibility of jobs that qualified for the Job Creation Investment Program incentive payment during the period from October 1, 2013, through September 30, 2015.

Scope

This examination consisted of validating jobs and wages, including, but not limited to, the following:

- Reviewing sections 125.045, 288.075, and 688.02, Florida Statutes;
- Reviewing Collier County Ordinances 2003-60, 2006-36, and 2008-46;
- Examining payroll and personnel records from Animal Specialty Hospital; and
- Visiting Animal Specialty Hospital and interviewing management.

Internal Audit tested 100% of applicable payroll and personnel records for Animal Specialty Hospital.

Background

The Clerk's Internal Audit Department assisted the Office of Business and Economic Development in validating jobs created by Animal Specialty Hospital (ASH) in accordance with the Job Creation Investment Program. This program was a performance-based initiative authorized in Collier County Ordinance 2003-60, as amended. The program provided general revenue funding to local 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 Animal Specialty Hospital on January 24, 2012, prior to the program's expiration.

To be eligible, businesses had to apply to the County Manager prior to making the decision to locate or expand within Collier County. In keeping with the Job Creation Ordinance and the BCC's Job Creation Investment Program Agreement with ASH, the general fund would pay \$2,000 over a three-year period for each job created.

Based on its location, the Program required ASH to create at least 10 new, eligible jobs. ASH intended to create 22 new jobs in fiscal year 2011 (Phase 1), 3 more new jobs in fiscal year 2012 (Phase 2), and another 3 new jobs in fiscal year 2013 (Phase 3), for a total of 28 new jobs.

In its 2012 agreement with Collier County's economic incentives, ASH proposed creating 28 new jobs with wages at least 115% of the then-current Collier County average wage, or at least \$45,178.

Observations and Recommendations

1) Phase Two wages did not qualify for the Job Creation Incentive in 2014.

Animal Specialty Hospital created qualifying jobs in three phases. Phase Two created three qualifying jobs as of September 30, 2012. Phase Two employees' wages qualified for Job Creation incentive payments in the 2012 and 2013 validations. The third and final validation for Phase Two was 2014. Payroll records for the 2014 validation yielded an average wage of \$43,337.42. That did not meet the contractual minimum of \$45,178. Removing the three Phase 2 employees from the 2014 validation raised the average wage to \$45,953.16.

Recommendation:

- Animal Specialty Hospital should not receive a Job Creation incentive payment of \$2,000 for the third and final validation year of three Phase Two employees.

County Management Response:

"I have reviewed the submitted Audit Report #2017-1 regarding Animal Specialty Hospital of Florida, LLC's compliance with incentive criteria established by the Job Creation Investment Program Agreement in place with Collier County. I concur with the audit findings and consider the Animal Specialty Hospital currently eligible to participate in the Job Creation Investment Program."

2) Phase Three wages qualified for the Job Creation Incentive in 2014 and 2015.

In Phase Three, Animal Specialty Hospital created three qualifying jobs as of September 30, 2013, and qualified for a Job Creation incentive payment in that validation. The second and third (final) validation years for Phase Three were 2014 and 2015. Payroll records for the 2014 validation, after eliminating Phase 2 employees (See Observation 1), yielded an average wage of \$45,953.16. This exceeded the contractual minimum of \$45,178.

Payroll records for the 2015 validation yielded an average wage of \$50,882.77. This also exceeded the contractual minimum.

Recommendation:

- Animal Specialty Hospital should receive a total Job Creation incentive payment of \$4,000 for the second and third (final) validations of three Phase Three employees.

County Management Response:

"I have reviewed the submitted Audit Report #2017-1 regarding Animal Specialty Hospital of Florida, LLC's compliance with incentive criteria established by the Job Creation Investment Program Agreement in place with Collier County. I concur with the audit findings and consider the Animal Specialty Hospital currently eligible to participate in the Job Creation Investment Program."

Conclusion

Audits do not relieve management of its responsibilities. It is the responsibility of County management to understand and implement the proper procedural controls to limit the risk of fraud, error, and misappropriation of County assets or revenues. Internal Audit may recommend improvements, but ultimately it is the duty and decision of County management to formulate processes and controls that ensure compliance with applicable rules and regulations.

Internal Audit acknowledges the cooperation of Animal Specialty Hospital management and County personnel for their support in the audit process.