



Internal Audit Department

Audit Report 2017-8

Fee Payment Assistance Program:

**Arthrex, Inc., Arthrex
Manufacturing, Inc., and
RES Collier Holdings, LLC**

Dwight E. Brock
Clerk of the Circuit Court
and Comptroller

3299 Tamiami Trail East
Suite #402
Naples, FL 34112-5746

www.collierclerk.com

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Prepared by: Michael Harder, Senior Internal Auditor

Report Distribution: Board of County Commissioners
Leo Ochs, Jr., County Manager
Jeff Klatzkow, County Attorney
Nick Casalanguida, Deputy County Manager
Mark Isackson, Director, Corporate Financial and Management Services
Jace Kentner, Director, Business and Economic Development
Amy Patterson, Director, Capital Project Planning, Impact Fees and Program Mgt

Cc: Dwight E. Brock, Clerk of the Circuit Court
Crystal K. Kinzel, Director of Finance and Accounting
James D. Molenaar, Internal Audit Manager

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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, 5th 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 July 5, 2017. County management provided that response on July 21, 2017.

Summary

Staff from the Office of Business and Economic Development and the Clerk's Internal Audit Department conducted a site visit to Arthrex, Inc. (Arthrex), to vouch ten created jobs at their eastern Collier location in compliance with the Fee Payment Assistance Program. Pay rates of those jobs were annualized, averaged, and compared to ordinance requirements.

Payroll data was compared to the personnel records of employees filling the ten created jobs. The data consisted of employees' names, addresses, hire dates, job titles, pay rates, and legal residency. The procedures revealed no exceptions.

These tests validated that Arthrex has created and retained ten jobs paying more than 115% of the County's private-sector average wage for the fiscal years ending 2015 and 2016, and remains eligible to participate in the Fee Payment Assistance Program.

Objective

The objectives of this engagement were to validate ten jobs created by Arthrex at their eastern Collier location and to verify that the wages paid for those jobs meet or exceed ordinance requirements.

Scope

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

- Reviewing Collier County Ordinances 2003-61, 2004-24, 2004-45, 2005-30, 2006-36, 2008-25, and 2008-46;
- Reviewing section 125.045, Florida Statutes;
- Checking the Tax Collector's records of tax payments;
- Validating payroll records from Arthrex;
- Visiting Arthrex and interviewing its management;
- Tracing names, addresses, hire dates, job titles, and pay rates, to the personnel records of Arthrex;
- Reviewing I-9's for legal residency;
- Scheduling payroll data for all employees filling the created jobs; and
- Annualizing, averaging, and comparing pay rates of the ten jobs to program requirements.

Background

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.

To be eligible, businesses had to apply to the County Manager prior to making the decision to locate or expand within Collier County. The maximum incentive award was calculated by multiplying the total capital investment (land, building, equipment) of the expansion or relocation by the current millage rate, then multiplying by either ten (projects located in areas outside the enterprise community) or 15 (projects located within the enterprise community). This project used the multiplier 10 because it is located in Eastern Collier County. The impact fees actually paid for the project, \$581,936.78, were less than the BCC-approved award of \$597,513.71. Payments made under this program were subject to funding availability.

On June 28, 2011, the BCC approved the application of Arthrex, Inc., Arthrex Manufacturing, Inc., and RES Collier Holdings, LLC, for the Fee Payment Assistance Program. The BCC approved a Fee Payment Assistance Agreement with those three entities on January 24, 2012. The legal description for the property, located at 6875 Arthrex Commerce Drive, Immokalee, was included in Exhibit A to the Agreement.

Internal Audit observed the Business and Economic Development Office's verification of jobs created in accordance with Collier County's Fee Payment Assistance Program in order to validate the ongoing eligibility for participation. For Arthrex' eastern Collier location, program criteria called for a minimum of ten new jobs paying at least 115% of the County's average private-sector wage in effect at the time of application. The business also had to pay its property tax bill in full annually on or before its due date. As noted in the Summary above, Arthrex met these requirements.

Management Response

"I have reviewed the submitted Audit Report #2017-8 regarding Arthrex, Inc., Arthrex Manufacturing, Inc., and RES Collier Holdings, LLC's compliance with incentive criteria established by the Fee Payment Assistance Program with Collier County, approved January 24, 2012. I concur with the audit observations and consider Arthrex, Inc., Arthrex Manufacturing, Inc., and RES Collier Holdings, LLC in compliance with the obligations within the Fee Payment Assistance Agreement.

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

Conclusion

Arthrex continues to comply with the requirements of the Fee Payment Assistance Program; therefore, there are no adverse observations to report.