



Crystal K. Kinzel

**Clerk of the Circuit Court
and Comptroller**

3315 Tamiami Trail East, Suite #102
Naples, FL 34112-5324

www.collierclerk.com

**Internal Audit
Department
Contract Oversight Report
2019-1**

**Job Creation Investment
Program:**

**Arthrex, Inc., and Arthrex
Manufacturing, Inc.**

**Issued:
February 12, 2019**

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 §119.0713, Florida Statutes. Workpapers supporting the observations noted within this report become public record and will be made available upon request once the final audit report has been issued.

Prepared by: Timothy Lo, Internal Auditor
 William Courtney, Internal Auditor

Report Distribution: Board of County Commissioners
 Leo Ochs, Jr., County Manager
 Jeff Klatzkow, County Attorney
 Nick Casalanguida, Deputy County Manager
 Sean Callahan, Executive Director - Corp Business Operations
 Jace Kentner, Business and Economic Development Director

Cc: Crystal K. Kinzel, Clerk of the Circuit Court and Comptroller
 Robin Sheley, Internal Audit Director

TABLE OF CONTENTS

SUMMARY.....	2
OBJECTIVE.....	2
SCOPE.....	2
BACKGROUND.....	2
OBSERVATION.....	3
MANAGEMENT RESPONSE.....	3
ACKNOWLEDGEMENTS.....	4

Summary

This examination generated the following observation regarding the Job Creation Investment Program:

- Arthrex maintained 600 eligible jobs for Phase 1, Phase 2, and Phase 3.

Total # Transactions	Total Amount of Transactions	Questioned Costs	Taxpayer Savings	Description	Total # Observations	# Open Observations
1	\$ 66,666.66	\$ -	\$ -	Number of Payment Request	0	0

Objective

The objective of the audit engagement was to validate the number and wages of eligible ongoing jobs that qualified for the Job Creation Investment Program incentive payment during the period from July 1, 2016, through June 30, 2017.

Scope

The audit engagement consisted of, but was not limited to, the following tasks:

- Reviewing applicable Florida Statutes;
- Reviewing applicable Collier County Ordinances;
- Reviewing applicable Board of County Commissioners (BCC) Agenda Items and Meeting Minutes;
- Reviewing the BCC's Job Creation Investment Program Agreement with Arthrex;
- Examining payroll and personnel records from Arthrex; and
- Tracing payroll data, such as employee numbers, names, job titles, hire and/or promotion dates, wages, work locations, and lawful United States residency, to the personnel records.

The Office of Business and Economic Development and the Clerk's Internal Audit Department verified 100% of applicable payroll, personnel, and I-9 documents for Arthrex' created positions.

Background

The Clerk's Internal Audit Department assisted the Office of Business and Economic Development in validating jobs created by Arthrex 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 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 Arthrex on January 24, 2012, that would pay Arthrex \$2,000 over a three-year period for each job created.

In its 2011 application to participate in Collier County's economic incentives, Arthrex proposed creating new jobs with annualized wages averaging \$59,580. The average private sector wage in effect at that time was \$38,719. Based on its expansion locations, the Program required Arthrex to create at least 30 new, eligible jobs. Arthrex intended to create 400 net new jobs by June 30, 2014 (Phase 1), 100 more new jobs by June 30, 2015 (Phase 2), and another 100 new jobs by June 30, 2016 (Phase 3), for a total of 600 net new jobs.

This review validated that Arthrex maintained the previously created 600 new jobs in Collier County for the period ending June 30, 2018. By meeting the terms of its Job Creation Investment Program Agreement, Arthrex has earned an economic incentive payment of \$66,666.66.

Observations

Arthrex maintained 600 eligible jobs for Phase 1, Phase 2, and Phase 3.

Business and Economic Development and Internal Audit examined Arthrex personnel and payroll records for Phase 1, Phase 2, and Phase 3 job creation support. This process established that Arthrex maintained 600 jobs as of June 30, 2018, and continued to qualify for a Job Creation incentive payment. The final incentive payment due for 100 Phase 3 jobs is \$66,666.66 according to Collier County's Job Creation Investment Program Agreement with Arthrex.

Management Response

Internal Audit provided a draft of this report to the Office of Business and Economic Development for management response on January 31, 2019. County management provided that response on February 1, 2019.

“I have reviewed the submitted Audit Report 2019-1 regarding the compliance of Arthrex Inc. and Arthrex Manufacturing Inc. with incentive criteria established by the Job Creation Investment Program Agreement with Collier County, approved January 24, 2012. I concur with the audit findings and consider Arthrex Manufacturing currently in compliance with the obligations within the Job Creation Agreement up to June 30, 2018. This completes the Job Creation Investment Program Agreement between Collier County and Arthrex Inc. and Arthrex Manufacturing Inc.

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

Jace Kentner, Business & Economic Development Director

Acknowledgements

We gratefully acknowledges the cooperation of both Arthrex and Collier County management and staff for their support in the audit process.