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# Internal Audit Department

Investigative Report

2019-4

## Complaint Regarding a Participant in the Naples Accelerator

Issued:

**September 24, 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, 5<sup>th</sup> 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.

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## A. Summary

The Collier County Clerk’s Internal Audit department received an allegation regarding questionable business practices involving the owner of two local internet-based business (EII Participant) who rented offices from Economic Incubators, Inc (EII).

- The Collier County Clerk received an email on March 9, 2019 via its’ Internal Audit Fraud e-mail address from a non-US business owner. He alleged that the EII Participant had posted inaccurate information about the Complainant’s company on one of the EII Participant’s websites.
- Furthermore, the Complainant alleged that the EII Participant requested payment in order to remove the inaccurate information from its website. According to the email, *“Not only is the information wrong, but I want it removed. The only way is to PAY them money.”*

The Complainant allegations about questionable business practices were consistent with our findings and therefore substantiated. We were not able to follow through the entire process required to change erroneous information as indicated in the second allegation, so those findings were partially supported. We did not find any evidence of improperly registered Collier County businesses, or any evidence of illegal activities.

Our findings were brought to the attention of County staff in April 2019, who were assigned to monitor the EII vetting of participants and other aspects of the vendor relationship. County staff addressed the issue within approximately 60 days, as the related Participant User Agreement expired when EII ceased to operate the Naples Accelerator effective June 30, 2019. The former participant does not have a user agreement with the County now that the Board of County Commissioners has assumed operations of the accelerators.

Total # Transactions	Total Amount of Transactions	Questioned Costs	Taxpayer Savings	Description	Total # Observations	# Open Observations
1	\$ 11,100.00	\$ 11,100.00	\$ 11,100.00	EII Participant annual rental - Business #1		
1	\$ 7,200.00	\$ 7,200.00	\$ 7,200.00	EII Participant annual rental - Business #2		
2	\$ 18,300.00	\$ 18,300.00	\$ 18,300.00		2	0

These County assets have now been freed up for their intended use by targeted start-up entrepreneurs.

## **B. Background**

EII was a not-for-profit business accelerator primarily funded by the Collier County Board of County Commissioners (BCC) to operate the county's business accelerators. In their fiscal year 2018 Form 990, the primary mission of EII was stated to, "support and nurture new and developing businesses to expand, grow and prosper in Collier County and beyond, thus creating jobs, investments and diversity in the local economy."

To determine whether the allegations were substantiated regarding the EII Participant, we performed the following procedures:

- We confirmed that the Complainant's information was included as a business listing on the EII Participant's website.
- We contacted the Complainant and the EII Participant's Operations Director to clarify their positions.
- We conducted internet-based research including news articles, blogs and industry-based references regarding the EII Participant and his business activities.
- We conducted public records research via the Collier County Clerk of the Courts (Civil and Criminal), Official Land Records and County Tax Collector's websites.
- We conducted public records research regarding civil litigation records via Collier County's Circuit Court of the Twentieth Judicial Circuit Court's database.
- We researched corporation and business filings via Florida's Secretary of State Division of Corporation's database. In addition, we researched several other state corporation databases.
- We conducted public records research via the Collier County Tax Collector and Property Appraiser's websites.
- We researched Collier County and Florida state lien/judgment indices.
- We researched Florida's Professional Licensing database.
- We reviewed internet references regarding the Greater Naples Chamber of Commerce in reference to the EII Participant.
- We interviewed both the complainant and the Operations Director for the EII Participant by phone.

## **Allegation #1**

Information posted about the Complainant on the EII Participant's website was inaccurate.

Finding Risk: **Low**

### **Observations**

**Substantiated** - Based on the conversation with the EII Participant Company's Operations Director, sufficient evidence was present to justify a reasonable conclusion that the allegation is true.

### **Cause:**

In a phone call with the Operations Director for the EII Participant, she explained that the EII Participant creates lists of service providers based on public data. She said the data does not get verified, and they are under no legal obligation to do such verification.

### **Discussion and Background:**

The Complainant contends that the information on the website is "wrong". We found that the EII Participant has numerous companies and websites, many of which provide rankings of different service providers (for providers of search optimization website design, in the website cited in the complaint) for marketing purposes.

Further research supports that this is not an uncommon assertion against the EII Participant, as there is a large volume of internet-based commentary regarding the EII Participant's business activities. This includes various negative references characterizing the EII Participant's business as "spam;" "pay for placement;" "inaccurate misleading info;" "unresponsive and unhelpful;" "nonsense listings;" and "banned for a reason." We note that the last reference mentioned above appears to be related to a civil action which the EII Participant brought against Google. In this 2014 case, 231 of their websites were delisted, and over time, a total of 365 websites were removed by Google, citing them as "Pure Spam."

### **Additional Considerations:**

Our findings of similar complaints and findings of legal actions, as well as the description given by the EII Participant's employee regarding the lack of vetting of the data posted, appear to lend credence to the allegation.

**Management Response:** EII ceased to operate the Naples Accelerator effective June 30, 2019, and the related Participant User Agreement was terminated effective the end of June.

**Director:** Jace Kentner

**Completion Date:** 6/30/2019

## **Allegation #2**

The EII Participant would not remove the Complainant's incorrect information on the EII Participant's website listing unless paid to do so.

Finding Risk: **Low**

### **Observations**

**Substantiated** - Based on the conversation with the EII Participant Company's Operations Director, sufficient evidence is present to justify a reasonable conclusion that the allegation is true.

### **Cause:**

The Operations Director for the EII Participant said that they generally will not remove business listings from their website, and they are not legally required to do so. She said that companies that requested removal often wanted to hide some "nefarious" dealings. To change the listing information themselves, she said the businesses listed must call in to obtain a login and password. At that time, options for paid advertising on their site and payments to the EII Participant for leads (e.g. \$2.00 per lead generated from their site) are discussed. She indicated that approximately 90% of the businesses listed on their sites do not engage in paid service.

### **Discussion and Background:**

We were able to contact the Complainant, who subsequently clarified that, "I sent a request through their chat bot, but all I received back were more invitations to join, or call. I don't have time for that, nor am I about to give away any more personal information." It does not appear that he could justify a requirement to pay in order to change or remove his information.

### **Additional Considerations:**

It appears that the Complainant's claim that the EII Participant will not remove their listing is correct. The EII Participant's Operations Director indicated that the Complainant would be able to log in and change the listing information himself without a demand for payment, if he continued through the process. Therefore, this second allegation is partially supported.

**Management Response:** EII ceased to operate the Naples Accelerator effective June 30, 2019, and the related Participant User Agreement was terminated effective the end of June.

**Director:** Jace Kentner

**Completion Date:** 6/30/2019

## **Acknowledgements**

Internal Audit would like to thank the Executive Director of Corporate Business Operations and the Director of Business and Economic Development for addressing the issue in a timely, prudent manner and achieving a practical solution to this issue.