



Internal Audit Department

Audit Report 2015-8

**Fee Payment Assistance Program:
Arthrex Manufacturing, Inc., Arthrex,
Inc., and RES Collier Holdings, LLC**

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Table of Contents

SUMMARY	2
OBJECTIVE	2
SCOPE	2
BACKGROUND	2
MANAGEMENT RESPONSE.....	3
CONCLUSION.....	3

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 August 27, 2015. County management provided that response on October 8, 2015.

Summary

The Collier County Board of County Commissioners (BCC) approved an “Agreement for Fee Payment Assistance Program” with Arthrex, Inc., Arthrex Manufacturing, Inc., and RES Collier Holdings, LLC, on January 24, 2012. The Agreement specified that the County would pay Impact Fees of \$597,513.71 toward the construction of a new manufacturing facility in eastern Collier County. The Program obligated Arthrex to create “a minimum of 10 new full-time jobs paying an average wage of at least 115 percent of the County’s current private-sector average wage.”

Staff from the Office of Business and Economic Development and the Clerk’s Internal Audit Department conducted site visits to validate payroll data for ten Arthrex employees filling created jobs. Pay rates of those jobs were annualized, averaged, and compared to Fee Payment Assistance Program requirements. Payroll data was then compared to the personnel records of employees filling the ten created jobs. The data consisted of employees’ names, addresses, hire dates, job titles, and pay rates. The procedures revealed no exceptions.

These tests validated that Arthrex had created ten jobs paying more than 115% of the County's private-sector average wage, and was eligible to participate in the Fee Payment Assistance Program.

Objective

The objectives of this engagement were to validate the ten employees in the jobs created by Arthrex, and to validate that the wages paid for those jobs met or exceeded 115% of the County's private-sector average wage at the time of the Agreement.

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;
- Scheduling payroll data for all employees filling the created jobs; and
- Annualizing, averaging, and comparing pay rates of the five jobs to Program requirements.

Internal Audit examined applicable payroll and personnel records for Arthrex.

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, was included in Exhibit A to the Agreement.

Internal Audit and Business and Economic Development staff verified jobs created in accordance with the Fee Payment Assistance Program in order to validate the eligibility of Arthrex 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. 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 #2015-8 regarding Arthrex Manufacturing, Inc., Arthrex, Inc., and RES Collier Holdings, LLC's compliance with incentive criteria established by the Fee Payment Assistance Program in place with Collier County. I concur with the audit findings and consider the Arthrex Manufacturing, Inc., Arthrex, Inc., and RES Collier Holdings, LLC currently eligible to participate in the Fee Payment Assistance Program.

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

Conclusion

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