

Date: January 16, 2018



CLERK OF THE CIRCUIT COURT – AGENDA ITEM Marion County Commission

**SUBJECT: Present Internal Audit Report No. 2017-12 Regarding EDFIG
Compliance Review of R&L Carriers, Inc.**

INITIATOR: Sachiko H. Leon, Internal Auditor

DEPARTMENT: Clerk of Court

**DESCRIPTION/BACKGROUND: R&L Carriers, Inc. submitted required 3rd and 4th
annual reports. Internal Audit agreed with the County Administration's
conclusion that R&L Carriers, Inc. was in compliance with the applicable sections
of the grant agreement for the reporting periods and due a payment of \$106,000.**

BUDGET IMPACT: None



RECOMMENDED ACTION: None, for informational purposes only



CLERK OF THE CIRCUIT COURT AND COMPTROLLER
David R. Ellspermann

MEMORANDUM

TO: Board of County Commissioners, individually
Mounir Bouyounes, County Administrator

FROM: David R. Ellspermann, Clerk of the Circuit Court and Comptroller 
Sachiko H. Leon, Internal Auditor 

DATE: December 08, 2017

RE: Report No. 2017-12: Economic Development Financial Incentive Grant Compliance Review: **R&L Carriers, Inc.**

Purpose and Objective

Internal Audit performed a compliance review of the performance measures for the R&L Carriers, Inc. (Grantee) required third and fourth annual report, and the capital investment requirement, pursuant to the Economic Development Financial Incentive Grant (EDFIG) Agreement (Agreement).

The objective was to determine if the County Administration's assessment of the Grantee was reasonable and supported by sufficient documentation on the following criteria:

- the number of "new to Marion County" full-time equivalent employees (FTE)
- minimum capital investment requirement of \$4,400,000

Results

Our opinion is that the County Administration's assessment was reasonable and supported by sufficient documentation. The Grantee was in compliance with the applicable sections of the grant Agreement.

We concluded in Report No. 2015-08, the Grantee had employed **79 FTE** in calendar year (CY) 2013, and **118 FTE** in CY 2014. We agree that the Grantee employed **33 FTE** in CY 2015 and **194 FTE** in CY 2016 and that the \$4,400,000 capital investment requirement was met. Therefore, the Grantee is due a cumulative grant payment of **\$106,000**.

Reporting Year	Average FTE	Grant Payment
2013	79	\$19,750
2014	118	\$29,500
2015	33	\$8,250
2016	194	\$48,500
Total to be paid to Grantee		\$106,000

Scope and Approach

The scope included verifying the number of FTE for CY 2015 and CY 2016 and completion of the capital investment requirement. We reviewed the County Administration's analyses and the documentation submitted by the Grantee to verify its accuracy.

The County Administration received initial documentation from the Grantee for CY 2015 and CY 2016 annual performance compliance review on March 15, 2016 and February 17, 2017, respectively. However, sufficient documents to perform a review were not received until later.

The Grantee provided an incentive summary report and Reemployment Tax Reports (RT-6) for both CY 2015 and CY 2016. The incentive summary report identified the employees from the RT-6 that were employed in Marion County. We performed analytical procedures to independently determine the number of FTE and compared the results to the County Administration's analyses.

We did not recommend a payment to the Grantee in Report No. 2015-08, in which we reviewed the number of FTE for CY 2013 and CY 2014. We had concluded that, in accordance with the Agreement, a payment to the Grantee was not due because the Grantee had not met the capital investment requirement. We have since reviewed the proof of capital investment and considered the expenditures that were applicable to the Ocala location to be qualified capital investment.

Background

Effective February 19, 2013, the Board of County Commissioners awarded to the Grantee an Economic Development Financial Incentive Grant in the total amount of up to \$250,000. The purpose of this grant was for support of the creation of new job opportunities in Marion County.

The Grantee was to employ up to 250 FTE for logistic and technology related jobs within 48 months of occupancy with an average annual wage in excess of \$47,000. Agreement Section 3(d) required the Grantee to submit annual reports and the most recent RT-6 on each anniversary of the effective date.

In addition to job creation, the Grantee was required to provide documentation of the minimum capital investment of \$4,400,000 for renovations of the facility, and relocation or acquisition of machinery, computer and communication related equipment, furniture and fixtures, and software from locations beyond Marion County.

Acknowledgement

We would like to thank the representatives of the County Administration and R&L Carriers, Inc. for their cooperation during our review.


This review was conducted by Andrew Gibb and Sachiko H. Leon.


APPENDIX A



CLERK OF THE CIRCUIT COURT AND COMPTROLLER
David R. Ellspermann

MEMORANDUM

TO: David R. Ellspermann, Clerk of the Circuit Court and Comptroller 

FROM: Sachiko H. León, Internal Auditor 

DATE: August 19, 2015

RE: AUDIT REPORT NO. 2015-08. ECONOMIC DEVELOPMENT
FINANCIAL INCENTIVE GRANT COMPLIANCE REVIEW - R&L CARRIERS,
INC.

Agreement Summary

Effective February 19, 2013 (Effective Date), Marion County (County) awarded to R&L Carriers, Inc. (Grantee) an Economic Development Financial Infrastructure Grant (EDFIG) in the total amount of up to \$250,000. The purpose of this grant was for support of the creation of new job opportunities within County.

Grantee was to employ up to 250 new to Marion County full-time logistic and technology related jobs within 48 months of occupancy with an average annual wage in excess of \$47,000. Agreement Section 3(d) requires Grantee to submit annual reports and the most recent Unemployment Compensation Tax report (UCT-6), currently referred to as Reemployment Tax (RT-6A) report, on each anniversary of the Effective Date.

In addition to job creation, Grantee is required to provide documentation of the minimum capital investment of \$4,400,000 for relocation or acquisition of machinery, computer and communication related equipment, furniture and fixtures, and software from locations beyond Marion County.

Activities Performed

County received documentation for the first annual performance compliance review (annual review) from Grantee on February 24, 2014. Internal Audit conducted a review of the documentation received. On May 22, 2014, we contacted a Grantee representative listed in the Agreement to request items needed to determine compliance. These items included an explanation for calculation used to determine the average wages on the Ocala Incentive Summary Report, an explanation for discrepancies of employee salaries between Ocala Incentive Summary Report and the RT-6A, and documentation for \$4,400,000 required capital investment.

Prior to receiving more documentation needed to complete the first review, County received documentation for the second annual review from Grantee on March 4, 2015. Again, after Internal

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GRANT COMPLIANCE REVIEW: R&L CARRIERS, INC.

Audit's review of the documentation provided, areas of clarification were determined. On May 15, 2015, we were referred to another Grantee representative, to whom we provided with a detailed list of items needed to determine compliance to the Agreement. The list included RT-6A reports and an explanation of salary discrepancies between RT-6A and Ocala Incentive Summary Reports. We also addressed the outstanding issues from the first annual report.

The new Grantee representative was responsive and timely provided the documentation and clarification needed to complete the first and second year analysis of FTEs and salary. The Grantee representative also provided an itemized asset list for the capital investment and is currently in the process of collecting supporting documentation.

Multiple companies' involvement and employee turnover created difficulty in determining compliance with the salary requirement and actual FTE status. We used the total payroll amount in each applicable year as reported in the quarterly RT-6As by the eligible companies and divided it by the minimum salary requirement to achieve average FTEs.

Conclusion

We concluded that Grantee employed an average of 79 FTEs for the calendar year of 2013 and an average of 118 FTEs for the calendar year of 2014; however, the capital investment requirement is not considered met until the supporting documentation is provided. **We therefore concluded no payment is due at this time.** When the supporting documentation is received and we determine the capital investment requirement is met, Grantee is due a payment in accordance with the Agreement.

This review was conducted by Heather May under the general guidance of Wallace Watford and Sachiko H. León. We would like to thank Grantee for cooperation during our review.

- c: Mounir Bouyounes, Acting County Administrator
- Jeannie Rickman, Assistant County Administrator-Public Services
- Danielle Doty, Business and Communications Liaison
- Christopher Kirbas, Fiscal Manager
- John Garri, Finance Director
- Jeffrey Haungs, Vice President, R&L Carriers, Inc.

APPENDIX B

Report Distribution List

Name	Position Title
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Michael McCain	Fiscal Manager
John Garri	Finance Director
Jeffrey Haungs	Vice President, R&L Carriers, Inc.