

Date: March 20, 2018



CLERK OF THE CIRCUIT COURT – AGENDA ITEM Marion County Commission

**SUBJECT: Present Internal Audit Report No. 2018-02 Regarding EDFIG
Compliance Review of Signature Brands, LLC.**

INITIATOR: Sachiko H. Leon, Internal Auditor

DEPARTMENT: Clerk of Court

DESCRIPTION/BACKGROUND: Signature Brands, LLC submitted required annual reports. Internal Audit agreed with the County Administration's conclusion that Signature Brands, LLC was not in compliance with the applicable sections of the grant Agreement for the reporting periods and was required to pay back \$8,171.14. Signature Brands, LLC has paid back the required amount. This report finalizes the EDFIG Agreement for Signature Brands, LLC.

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: March 5, 2018

RE: Report No. 2018-02: Economic Development Financial Incentive Grant Compliance Review: **Signature Brands, LLC**

Purpose and Objective

Internal Audit performed a compliance review of the performance measures for the Signature Brands, LLC (Grantee) required sixth and seventh annual report, 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:

- maintaining 398 "new to Marion County" full-time equivalent employees (FTE)
- meeting payroll requirement of \$16,245,078 during both reporting periods of April 19, 2015 through April 18, 2016, and April 19, 2016 through April 18, 2017

Results

Our opinion is that the County Administration's assessment was reasonable and supported by sufficient documentation. The Grantee did not meet the FTE and payroll requirements for the audited period; therefore, they defaulted on the Agreement.

The Agreement requires an average over a 5-year period to calculate a payback amount in case of a default. The Grantee employed an average of **395.35 FTE** for the 5-year reporting period, falling short of the 398 FTE requirement, and the average annual payroll totaled **\$15,597,250.34**, falling short of the \$16,245,078 requirement. Pursuant to the default terms in the Agreement, we recommended that the Grantee repay **\$8,171.14** to the County Administration. The County Administration agreed and sent an invoice for the amount (See Appendix A) and received the payment in full on October 16, 2017. The following table provides a summary of the requirements and actual performance of the 5-year period used to determine the payback amount.

Marion County Clerk of the Circuit Court and Comptroller

Board of County Commissioners – Internal Audit Division – Sachiko H. León, Internal Auditor

Post Office Box 1030 • Ocala Florida 34478-1030 • Telephone (352) 671-5604 • Facsimile (352) 671-5625 • www.marioncountyclerk.org

Comparison of Actual Performance to Grant Agreement Grant Years 2013 – 2017

		Number of FTE	Total Annual Payroll
Requirements		91 FTE new facility	\$3,265,080
		307 FTE existing facility	\$12,979,998
Consolidated Requirements		398 FTE	\$16,245,078
Actual Reported	2013	505.00	\$19,269,222
	2014	423.50	\$17,187,401
	2015	393.25	\$14,828,552
	2016	342.75	\$13,989,677
	2017	312.25	\$12,711,400
Average of 5 Years		395.35	\$15,597,250
Difference		(2.65)	(\$647,828)

Scope and Approach

The scope included verifying the number of FTE and reported wages for the combined reporting period of April 19, 2015 through April 18, 2017. We reviewed the County Administration's analyses and the documentation submitted by the Grantee to verify its accuracy.

The Grantee provided Reemployment Tax Reports (RT-6), copies of director bonuses, and summary reports. The summary report provides consolidated totals for the Marion County based employees. The Agreement specifies that the Grantee must maintain separate employee counts, average salaries and total payroll amounts between the existing facilities and the new facility; however, the Grantee has always provided consolidated totals and averages. The County Administration and Internal Audit have accepted this method since the Grantee's first reporting period.

We used the number of FTE and gross wages reported through RT-6 for the applicable periods and performed analytical procedures to determine the average number of FTE and payroll amount.

Background

The Board of County Commissioners awarded to Signature Brands, LLC an Economic Development Financial Incentive Grant in the total amount of \$197,636 on February 16, 2010. This consisted of: \$148,436 for relocation of its popcorn facility and employment of new employees; and \$49,200 as the County's match for the State of Florida's Qualified Target Industry Tax Refund Program (QTI), payable over four years at \$12,300 per year pursuant to Resolution 10-R-151. As required, the Grantee constructed a new facility, provided capital improvements of at least \$9,000,000, purchased new machinery and equipment of at least \$2,500,000, and relocated existing machinery and equipment with the original cost of at least \$6,000,000.

The Grantee had to maintain its existing nine FTE and add 82 FTE at the new facility by April 18, 2012, and thereafter, maintain 91 FTE at the new facility and 307 FTE at the existing facility with an average total annual payroll amount of \$16,245,078. The Grantee was required throughout the Agreement term to submit annual reports to the County Administration to establish its compliance with the specified requirements.

The County Administration made a grant payment of \$148,436 on July 16, 2012, after Grantee had met the initial capital investments and FTE requirements. The County Administration also paid for a County's QTI match of \$12,300 to the State. We concluded in Report No. 2015-09 that the County Administration was due a refund after the Department of Economic Opportunity (DEO) reviewed the Grantee for a possible repeal of the QTI. In May 2016, the County Administration received \$11,522.91 for the portion that was over-funded (See Appendix B). Our audit scope was limited to the County grant only. The DEO performs audits related to the QTI including the County's match.

Acknowledgement

We would like to thank the representatives of the County Administration and Signature Brands, LLC for their cooperation during our review.

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

APPENDIX A



**Marion County
Board of County Commissioners**

Office of the County Administrator

601 SE 25th Ave.
Ocala, FL 34471
Phone: 352-438-2300
Fax: 352-438-2309

INVOICE

October 3, 2017

Certified Mail #7011 1150 0002 1404 7767

Mr. Gary Silver, President and CEO
Signature Brands
808 SE 12th Street
Ocala, FL 34471

Pursuant to the Economic Development Grant Agreement dated, April 6, 2010, with the attached calculations, the amount due from Signature Brands is: \$8,171.14.

Payable to: Marion County Board of County Commissioners.

Payment Due Upon Receipt

On behalf of the Marion County Board of County Commissioners, thank you for your participation and support toward the County's Economic Development initiatives.

Sincerely,

Jeannie Rickman, CPM
Public Services Assistant County Administrator

Empowering Marion for Success

www.marioncountyfl.org

APPENDIX B

Rick Scott
GOVERNOR



Cissy Proctor
EXECUTIVE DIRECTOR

May 19, 2016

Jeannie Rickman
Director of Government Services
Marion County
601 SE 25th Avenue
Ocala, Florida 34471

Dear Ms. Rickman:

RE: Signature Brands, LLC. (Project 10-00047)
The Qualified Target Industry Tax Refund (QTI) Program Un-used LFS
QTI Refund Fiscal Year: 2012-2013,

From the review of this QTI project, Local Financial Support was over funded by Marion County. Enclosed is a check for \$11,522.91. Representing a return of the un-used local financial support Marion County had paid into the Economic Development Trust Fund Incentives Account Marion County made the payment in support of the company and project referenced above

LFS Balance Work Sheet

Project: 10-0047

Jurisdiction: Marion County

Signature Brands, LLC

Fiscal Year:	Paid in to DSBD	Paid to Awardee	Un-used
2012-2013	\$ 12,300.	\$ 777.09	\$ 11,522.91

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2016 MAY 24 PM 1:44
DEO
FINANCIAL MGMT

Thank you for your assistance.

Sincerely,

Steve Weiland
Incentives Coordinator
Division of Strategic Business Development

Florida Department of Economic Opportunity | Caldwell Building | 107 E. Madison Street | Tallahassee, FL 32399
866.FLA.2345 | 850.245.7105 | 850.921.3223 Fax
www.floridajobs.org | [www.twitter.com/FLDEO](https://twitter.com/FLDEO) | www.facebook.com/FLDEO

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APPENDIX C

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Michael McCain	Fiscal Manager
John Garri	Finance Director
Gary Silver	Senior Vice President/CFO, Signature Brands, Inc.
Donna Cress	HR Director, Signature Brands, Inc.