



CLERK OF THE CIRCUIT COURT AND COMPTROLLER
David R. Ellspermann

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

FROM: David R. Ellspermann, Clerk of the Circuit Court and Comptroller *DR*
Sachiko H. León, Internal Audit Director *See NE*

DATE: November 2, 2018

RE: Report No. 2018-11: Economic Development Financial Incentive Grant Compliance Review: **Florida Institute for Human and Machine Cognition, Inc.**

Purpose and Objective

Internal Audit performed a compliance review of the performance measures of the seventh and final annual report for the Florida Institute for Human and Machine Cognition, Inc. (grantee) pursuant to the Economic Development Financial Incentive Grant Agreement (agreement).

The objective was to determine whether the grantee was in compliance with the following criteria:

- maintaining at least 15 full-time equivalent employees (FTE) and an average annual salary of \$100,000 for a period ending on March 31, 2017 (Year 7).

Results

The grantee maintained 14.71 FTE and an average salary of \$111,520.53 for Year 7. **We concluded that** the grantee was not in compliance with the applicable sections of the grant agreement because the agreement required that the grantee concurrently meet the FTE and average salary requirements.

Grantee Marion County Facility Summary for Year 7		
	Grantee Annual Report	Internal Audit Analysis
Total Ocala Employees	18 FTE	14.71 FTE
Average Employee Salary	\$107,094.06	\$111,520.53

We excluded five employees reported in the grantee's annual report because those employees had either resigned or transferred to another location by the reporting date. We included one Ocala-based employee who was not originally included in the grantee's annual report because the employee spends time away from the Marion County facility partially due to job duties of the position. We also included three part-time employees in the FTE calculation.

The agreement section 2.3.1 provides a repayment calculation method for non-compliance. We determined the grantee’s prorated repayment amount to be \$10,450, an equivalent of 1.95% of the \$550,000 County grant without interest or penalty.

We recommend that the County Administration seek a repayment of \$10,450 from the grantee. The agreement section 2.3.3 states that such collection is the “County’s sole and exclusive remedy for [the grantee’s] failure to comply with the Employee and Payroll Requirement.”

Management Response: Partially Concur	
The County Administration partially concurs in that we agree with the method of calculation utilized by Internal Audit; however, based upon the intent of the Grant to encourage economic development for the benefit of our community, Grantee’s payroll amount which exceeded the agreement’s requirement and Grantee’s overall performance while providing continuous involvement in generating economic, educational and community benefits, Administration does not concur with the repayment of \$10,450 from the Grantee.	
Target Implementation Date: N/A	Process Owner: Jeannie Rickman, Assistant County Administrator – Public Services

The table below is a comprehensive summary of the agreement requirements and the annual report compliance review results.

Reporting Period	Agreement Requirements	Results
Year 1-4	Employ at least 10 FTE by April 6, 2014 with average annual salary of \$100,000	In compliance
Year 5	Employ total of 15 FTE by April 6, 2015 with average annual salary of \$100,000	In compliance
Year 6	Maintain at least 15 FTE with average annual salary of \$100,000	In compliance
Year 7	Maintain at least 15 FTE with average annual salary of \$100,000	Not in compliance

Scope and Approach

The scope was to verify the compliance with the applicable requirements for the annual report as of March 31, 2017, submitted by the grantee. We performed analytical procedures and independently assessed the number of FTE and the average annual salary.

Background

The Board of County Commissioners awarded to the grantee on July 15, 2008, an Economic Development Financial Incentive Grant (EDFIG) in the total amount of \$550,000. This amount has been paid in full and was to be used at the grantee’s discretion for recruitment, advertising, operations, administration, and any other costs associated with the start up of a research facility in Marion County. The grant was awarded to encourage economic development for the benefit of the citizens of Marion County as stated in the agreement.

The agreement required the grantee to (1) employ at least 10 FTE in the facility within 48 months of the Employment Commencement Date with an additional five FTE within the subsequent 12 months at an average annual salary of \$100,000, (2) maintain 15 FTE and the same average annual salary for the subsequent 24 months, and (3) submit annual reports to establish the grantee's compliance with the requirements and to include Employer's Quarterly Reports (RT-6, formerly known as Unemployment Compensation Report) filed with the State of Florida.

The Employment Commencement Date was defined as six months after the Certificate of Occupancy issuance date to the grantee and was later determined to be April 6, 2010.

This reporting period is Year 7, April 7, 2016 through April 6, 2017. The grantee has provided the annual report as of March 31, 2017, which was acceptable to the County because it aligned with RT-6 reporting.

Acknowledgement

We would like to thank the representatives of the County Administration and Florida Institute of Human and Machine Cognition, Inc. for their cooperation during our review.

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

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