



Council Auditor's Office

**Jacksonville Economic Development Commission Incentives Audit Follow-up
Report**

Report #728A

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



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Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our follow-up review of past report #728, Jacksonville Economic Development Commission (JEDC) Incentives Audit, to determine whether or not corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards.

We sent a follow-up letter to the Office of Economic Development (OED), formerly known as the JEDC, inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed limited testing on a judgmentally selected sample of findings to verify that our recommendations have been implemented as stated in the auditee's responses. The following is a brief summary of the results of our follow-up inquiry and testing.

Based on the responses received from the audited department and our follow-up testing of a judgmentally selected sample, it appears that the department has complied with our audit recommendations with the following exception:

Finding 7 *Jobs creation by third-party employers in the incentive agreement*

We stated in our initial audit report that we were partially unable to verify employment for one of the economic development agreements tested. This was due to the fact that a third-party employer was used, and no records were available. We recommended that the OED include provisions in the standard agreement regarding the retention of auditable records pertaining to jobs filled by third-party employers. We also recommended that OED require companies to specifically identify jobs that are filled by a third-party employer. While it does appear that the standard agreement has been adequately updated, it does not appear that the OED is requiring companies to identify jobs that were filled by a third-party employer. Furthermore, in their response to the initial audit, the OED agreed with our recommendation and stated that the appropriate adjustments would be made as needed.

Office of Economic Development response to Finding 7

Agree Disagree Partially Agree

When evaluating the addition of new reporting requirements, it is necessary to consider the benefit of the information to be received versus the additional burden that will be added to those

that will be required to comply. We do not see great value in having the Company report if the jobs produced by the project are employed by the company or by a third-party employer, since both meet the definition of “employee” within the Agreements. However, we also do not believe this requirement will create a significant additional burden on those forced to comply.

Therefore, we will amend our “Jobs Report” Exhibit to include a field whereby we will ask if the employee listed is employed by a third-party employer. In addition, we will work with OGC to determine if additional language is necessary in the Agreements to require this additional information.

We would like to thank the OED for their cooperation in conducting this follow-up review.

Sincerely,

Kirk A. Sherman, CPA
Council Auditor