



Audit Report

BOCC Economic Development Office

Inspector General Department



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LINDA DOGGETT : CLERK OF COURT

Tim Parks, Chief Internal Audit Officer/Inspector General



BOCC Economic Development Office (EDO)



To: The Honorable Linda Doggett, Lee County Clerk of the Circuit Court & Comptroller

From: Tim Parks, Chief Internal Audit Officer/Inspector General

Date: May 18, 2020

Re: BOCC Economic Development Office

Dear Ms. Doggett,

The Inspector General Department has completed an audit of BOCC Economic Development Office. Sandra Bottone, CPA, CIGA conducted this review.

This audit activity conforms to the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Red Book)* and the Association of Inspectors General (AIG) *Principles and Standards for Offices of Inspector General (Green Book)*.

The audit client's response is attached to this report. We wish to express our appreciation for the cooperation and assistance provided us by management and staff during this review.

This report will be posted to the Clerk of Courts website, www.leeclerk.org, under Inspector General, Audit Reports. A link to this report has been sent to the Lee County Board of County Commissioners and appropriate parties.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Tim Parks".

Tim Parks, CIA, CIG, CIGI
Chief Internal Audit Officer/Inspector General
Inspector General Department

TJP/GK



BOCC Economic Development Office (EDO)



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BOCC Economic Development Office (EDO)



Executive Summary

A request was made by the County Manager's Office to audit the Lee County Economic Development Office (EDO). The department underwent restructuring since the prior audit in 2013, resulting in the establishment of new policies and procedures.

An entrance conference was held with management to discuss the audit's objective and scope, and to solicit current information regarding risks.

As of the audit date, the EDO was monitoring 17 projects, of which 15 were State Incentives that require the state to monitor. Management took a proactive role to assure that milestones were met before incentive payments were paid out. Since the inception of the new management team, there was only one payout to review. The incentive was paid to the state under the Qualified Target Industry Tax Refund Program.

The current Management team was in position since February 2019. Based on our review, we believe that they have made great strides in developing new policies and procedures to mitigate risks. In addition, a new contract template was developed that requires the pay out of incentives be conditioned to historical progress. Monitoring is done through audits performed by the respective agencies. We believe that the added conditions for the payment of incentives and the updated policies and procedures have enhanced the EDO.

The EDO had the responsibility to maintain the records of projects and provide resources through an Inter-Local Agreement with the Lee County Industrial Development Authority (IDA). We reviewed the 2010 and the current 2015 Agreements and found them to be outdated and vague. We offer a recommendation to add value in the following area:

We recommend that EDO Management bring to BOCC attention the outdated agreement(s), and work with them to develop and redraft a new agreement. This would ensure transparency and add clarification as to function and responsibility.

We propose that the EDO be included on the 2021 audit plan to review new contracts and payouts, and to assure that policy and procedures have been implemented.

Background

The EDO was created to bring new companies to the area and help existing businesses grow and expand. The EDO provides services for local, domestic, and international businesses seeking assistance with location or expansion. These services are provided free of charge and on a confidential basis.



BOCC Economic Development Office (EDO)



These services include:

- Site selection assistance
- Demographic and statistical information research
- Business meetings arranged
- Employee training and recruiting
- Community tours
- Financial assistance and funding source information

Mission of EDO:

- Retain and encourage the expansion of existing businesses
- Improve the business climate in Lee County
- Attract new and diversified employment to the area
- Create higher-wage, higher-value jobs, and expand the Lee County tax base

The EDO provides support to the Lee County Industrial Development Authority (IDA), the Horizon Council (HC) and the Horizon Foundation (HF) through access to employees and office space as needed. These organizations have independent economic development goals.

The IDA Board was established in 1975, under Part III of Chapter 159 of the Florida Statutes, and each IDA Board member is appointed to a four-year term. The Board of County Commissioners (BOCC) appoints seven members to the IDA. The IDA members have the responsibility for approving incentive grants and bonds. The IDA Board is tasked with fostering industrial and business development, and with encouraging both local and re-locating companies to explore the use of Industrial Development Revenue Bonds (IDRBs) to finance their projects.

The BOCC provided the IDA with office/meeting space and eight part-time staff to promote economic development and marketing. Since the restructuring, the EDO department has designated two employees to work with the IDA. The employees report to the Director of the EDO and spend a few hours each month designated to IDA activities.

The IDA is funded by bond fees, grants and contributions from private organizations. The IDA, through Chapter 159, F.S. has the ability to issue Industrial Development Revenue Bonds (Special Obligation Bonds). The bonds are payable from the revenue generated by the project they are issued for, and neither the IDA, Lee County, nor the State of Florida are responsible for their repayment.

The IDA, Independent Auditor's Report - September 30, 2018, issued on June 28, 2019, was reviewed for findings and opinions. The opinion of the external audit is that the financial



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statements present fairly, in all material respects, the financial position of the governmental activities of the Industrial Development Authority as of September 30, 2018, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. The Lee County Office of Inspector General does not have jurisdiction to perform internal audit of the IDA.

The HC is a public-private advisory Board established in 1991 to advise the Lee County Board of Commissioners on economic development issues. The Council has up to 80 members representing five cities; 10 chambers of commerce; 16 economic development and trade organizations; 14 community, business, and education organizations; along with various officers and at-large members. The mission of the HC is to help improve the business environment in Lee County, retain and encourage the expansion of existing businesses, and attract new and diversified employment to the area.

The HF, a charitable 501(c) 3 organization, was established to provide a funding vehicle for businesses to invest in the long-term economic vitality of Lee County. The HF raises private sector money to support the efforts of Lee County's EDO and the HC, in order to improve the business climate. The HF is funded by private contributions.

The Horizon Foundation, Inc., externally audited financial statements for year end 2017 and 2018 were reviewed for findings and opinions. The report noted two control weaknesses. Management states that they have corrected and implemented recommendations. The external auditor will follow up during the next year audit. The Lee County Office of Inspector General does not have jurisdiction to perform internal audit of the Horizon Foundation, Inc.

Objective, Scope, and Methodology

The objective of the BOCC EDO Audit was:

- Determine that internal controls are in place to ensure that the EDO is in compliance with applicable laws and regulations
- Assess the EDO's ability to measure and monitor its internal objectives relative to dollars expended

The audit scope focused on:

- Whether the EDO is disbursing funds in accordance with the contract and good business practices
- Review of departmental procedures for funding activities
- Whether the EDO is in compliance with State Statutes, Regulations, and Procedures



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- Assessing the performance measurement system
- Review of prior audits
- Review association with Industrial Development Association and The Horizon Foundation
- Review of job descriptions

The audit methodology was comprised of the following steps:

- Preliminary Risk Assessment: A meeting was held with management to discuss the audit objective and scope and to solicit information regarding risks
- Planning: Audit procedures were developed based upon research, audit objective, scope, and the preliminary meeting
- Field Work: Managers and Employees were interviewed for insight on the operations. Evaluations and tests were conducted on operations and procedures to address and complete the audit fieldwork

Observations and Recommendations

Inter-Local Agreement(s) between IDA and BOCC

We received an Inter-Local agreement from EDO that was dated November 9, 2010. During our review we located another agreement dated December 15, 2015, that was posted on Leegov.com. It was noted that both agreements were outdated, and the details contained in each of the agreements as to function and responsibility were vague.

Recommendation

We recommend that EDO Management bring to BOCC attention the outdated agreement(s), and work with them to develop and redraft a new agreement. This will ensure transparency and clarification as to function and responsibility.

From: Collura, Nancy <NCollura@leegov.com>
Sent: Tuesday, May 05, 2020 3:43 PM
To: Sandra Bottone <SBottone@LeeClerk.Org>; John Talmage <jtalmage@leegov.com>
Cc: Timothy Parks <TParks@LeeClerk.Org>
Subject: RE: Audit of BOCC Economic Development Office

External Email: **PHISHING SCAMS ARE ON THE RISE!** Please use proper judgment when opening attachments and clicking links. You are our **BEST** defense!!

Hi Sandy, hope you and yours are staying safe and healthy.

Right now, we'd look at September 30th as our target date for getting a new agreement in place. Hope this helps.

Please let me know if I can provide you with any additional information. Thanks.

Nancy

Nancy A. Collura
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Covid-19 Business Resources

SBA Disaster Loan: <https://disasterloan.sba.gov/ela>

LEE EDO: <https://www.leegov.com/covid-19/>

SBDC at FGCU: <http://floridasbdc.org/services/business-continuation>

I TOOK THE PLEDGE: www.leegov.com/pledge

From: Sandra Bottone <SBottone@LeeClerk.Org>
Sent: Thursday, April 30, 2020 1:31 PM
To: Talmage, John <JTalmage@leegov.com>; Collura, Nancy <NCollura@leegov.com>
Cc: Timothy Parks <TParks@LeeClerk.Org>
Subject: Audit of BOCC Economic Development Office

Hello John and Nancy,

I hope you are well and staying safe.

After many delays, I think we can finally close up this audit. We did add a recommendation and need your response.

After reviewing the Inter-Local Agreements dated, Nov 9, 2010 and Dec 15, 2015, we have added a recommendation to the report.

We recommend that EDO Management bring to BOCC attention the outdated agreement(s), and work with them to develop and redraft a new agreement. This will ensure transparency and clarification as to function and responsibility.

I have attached the final report for your review. Please respond to the recommendation and include an approximate date as to when the corrective action could be completed. Once we have received your response we will publish the report.

If you would like to discuss the recommendation, please let me know and we can schedule a time to discuss.

Thank you.
Sandy

Sandra M. Bottone, CPA, CIGA

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