

4. REPORTS TO BE RECEIVED FOR FILING:

- a. Division of Inspector General, Audit Services, Clerk of the Circuit Court and Comptroller, Report No. 2013-30 dated October 17, 2013 – Follow-Up Audit of Pinellas County Economic Development Authority Industrial Revenue Bonds.
- b. Juvenile Welfare Board Fiscal Year 2013/2014 Budget at a Glance, along with the Monthly Financial and Investment Report for the Period Ending September 30, 2013.
- c. Dock Fee Report for the month of September 2013.



Ken Burke, CPA


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PINELLAS COUNTY, FLORIDA

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Division of Inspector General

510 Bay Avenue
Clearwater, FL 33756
Telephone: (727) 464-8371
Fax: (727) 464-8386
Fraud Hotline: (727) 453-FRAUD (3728)
Clerk's website: www.mypinellasclerk.org

TO: The Honorable Chairman and Members
of the Board of County Commissioners

FROM:  Ken Burke, CPA
Clerk of the Circuit Court and Comptroller
Ex Officio County Auditor

SUBJECT: Follow-Up Audit of the Pinellas County Economic Development Authority
Industrial Revenue Bonds

DATE: October 17, 2013

For your review and filing in the Official Records, I am enclosing a copy of the follow-up audit dated October 17, 2013 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the best possible service to our citizens.

cc: Robert S. LaSala, County Administrator
Larry Arrington, Executive Director, Strategic Planning & Initiatives
Jim Bennett, County Attorney
Mike Meidel, Executive Director, Pinellas County Economic Development
Claretha N. Harris, Chief Deputy Director, Finance Division
Crowe Horwath





DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA

**CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA**

FOLLOW-UP AUDIT OF PINELLAS COUNTY ECONOMIC DEVELOPMENT AUTHORITY INDUSTRIAL REVENUE BONDS



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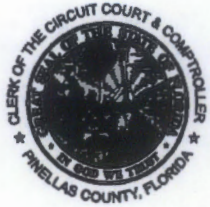


**An Accredited Office of
Inspectors General**

**Hector Collazo, Jr., Director
Inspector General/Chief Audit Executive**

**Audit Team
Ken Green, CIGA – Inspector General Manager
Flo Riggie, CIA, CISA, CRISC, CIGA, ITIL-F – Inspector General Auditor II**

**OCTOBER 17, 2013
REPORT NO. 2013-30**



Ken Burke, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

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Division of Inspector General

510 Bay Avenue
Clearwater, FL 33756
Telephone: (727) 464-8371
Fax: (727) 464-8386
Fraud Hotline: (727) 45FRAUD (453-7283)
Clerk's website: www.mypinellasclerk.org

October 17, 2013

The Honorable Chairman and Members
of the Board of County Commissioners

We have conducted a Follow-Up Audit of the Pinellas County Economic Development Authority Industrial Development Revenue Bonds (IDRB). The objectives of our review were to determine the implementation status of our previous recommendation.

We have determined that the recommendation contained in the audit report has not been implemented. The status of the recommendation is presented in this follow-up review.

We appreciate the cooperation shown by the staff of the Pinellas County Economic Development Authority during the course of this review.

Respectfully Submitted,

Hector Collazo, Jr., Director
Division of Inspector General

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court and Comptroller
Ex Officio County Auditor

*Regulated by the State of Florida



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INTRODUCTION

Scope and Methodology

We conducted a follow-up audit of the Pinellas County Economic Development Authority Industrial Development Revenue Bonds (IDRB). The purpose of our follow-up review is to determine the status of our previous recommendation for improvement.

The purpose of the original audit was to determine if:

1. The IDRB application files are complete according to the Economic Development Authority guidelines.
2. IDRB approvals are done in a timely manner.
3. The Economic Development Authority's internal controls over the IDRB application, selection, and approval processes are adequate and followed.
4. IDRBs comply with Florida Statutes, Title XI, Chapter 159.
5. The IDRB project outcomes were verified and complied with the proposal.
6. The IDRB application and other fees are being properly recorded in the General Ledger.

To determine the current status of our previous recommendation, we surveyed and/or interviewed management to determine the actual actions taken to implement the recommendation for improvement. We performed limited testing to verify the process of the recommendation for improvement.

Our follow-up audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Standards for Offices of Inspector General*, and, accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our follow-up testing was performed during the month of September 2013. The original audit period was October 1, 2010 to March 31, 2012. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

We determined that our recommendation was not implemented. We continue to encourage management to consider implementing our recommendation.

Status

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1	<i>Required Industrial Revenue Bond Application Forms Should Be Converted To An Electronic Document Format To Accept Data Input And Attachments.</i>					
	We recommended the Pinellas County Economic Development Authority convert the current IDR forms and Project Eligibility Questionnaire (PEQ) available on their website to a format that can be completed and saved electronically (i.e. information may be inserted into the form, edited, saved, and supporting documents attached). One solution that is readily available and currently used throughout the county is Portable Document Format (PDF) with form fields. This format represents documents in a manner independent of application software, hardware, and operating systems, and supports fillable fields.				✓	

Background

The Pinellas County Economic Development Authority (Authority) works with existing businesses to encourage expansion and seeks to attract new companies with high-wage careers to Central Florida's Gulf Coast. Through investment tools, professional courses, and business counseling sessions, trade missions to open new markets, as well as local, regional, and statewide partnerships, the Authority's mission is to foster a pro-business climate in Pinellas County.

The Authority's primary strategic focus area goals are to:

- Attract and retain high-quality jobs.
- Ensure adequate sites for business and industry.
- Maximize investment from state, federal, and private sources.

To reach these goals, the Authority's mission is to:

- Retain existing businesses and encourage entrepreneurship, while cultivating business success and expansion.
- Attract new, high-quality, high wage, and diversified employment to Pinellas County.
- Improve the business climate in Pinellas County, while preserving its quality of life.
- Serve as a liaison, partner, facilitator, advocate, and provider among public agencies, private companies, business associations, and educational institutions to deliver strong, fast, efficient, and effective support to Pinellas County businesses in a "Team Pinellas" format.
- Facilitate availability of a trained entrepreneurial and productive workforce to ensure a vital and diversified Pinellas County economy.

The Authority's job creation targets are:

- "Qualified Target Industry" incentive payments
- County economic development grants

As a major component of its goals, the Authority sponsors the issuance of "Industrial Development Revenue Bonds" (IDRB) (also referred to as "Industrial Revenue Bonds") that:

- Provide tax-exempt financing to pay for land and depreciable property for eligible industrial, manufacturing, and non-profit projects.
- Provide long-term financing at interest rates lower than conventional financing.

IDRBs are obligations issued by the Authority to pay for such projects that must be "self-liquidating" projects. "Self-liquidating" means that the revenues and earnings from the project will be sufficient to pay for the cost of maintaining, repairing, and operating the project, and to

pay the principal and interest of the IDRBs issued to fund the project. A project must meet the following qualifications:

- The facility being financed must be for manufacturing purposes or a 501(c)(3) organization.
- Uses of funds must be for land, buildings (new or existing), and new equipment.
- Funds cannot be used for inventory, working capital, or refinancing of existing debt.
- Maximum permitted project size is \$10,000,000 for manufacturing facilities.
- No minimum project size, but \$1,000,000 is considered the minimum economically feasible.

As of April 2012, the Authority's outstanding IDRB balance was \$71,525,142 with the original face value of \$109,066,800. Examples of area businesses that are currently utilizing IDRBs to finance projects include:

- Nautical Structures Industries, Inc.
- Clearwater Marine Aquarium
- YMCA of the Suncoast
- Chi Chi Rodriguez Youth Foundation, Inc.
- Bovie Medical Corporation

The Authority also has a U.S. Small Business Administration grant program and a Small Business Development Center.

STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by management on the Recommendation for Improvement in our original audit of the Pinellas County Economic Development Authority Industrial Revenue Bonds. The recommendation contained herein is that of the original audit, followed by the current status of the recommendation.

1. Required Industrial Revenue Bond Application Forms Should Be Converted To An Electronic Document Format To Accept Data Input And Attachments.

The Industrial Revenue Bond (IDRB) forms and Project Eligibility Questionnaire (PEQ) are currently available only as hard copy forms that must be printed from the Authority's website and then manually completed. This process is time consuming, does not allow electronic editing, and is not an efficient use of current technologies, which are widely available and used throughout the county.

Best business practices dictate that the Authority's website be user friendly and easy for individuals to apply for IDRB financing. Converting the IDRB forms and PEQ to an electronic document with fillable fields would enable the applicant an efficient means for data input of required project information and reduce the amount of paper files retained by the Authority. Other potential benefits include:

- Enable the applicant to electronically sign and submit required documents.
- Enable the Authority to extract data from the forms directly into other applications.
- Improved data accuracy with the use of automated calculations and field edits.
- Decrease form processing time.

We Recommended the Pinellas County Economic Development Authority:

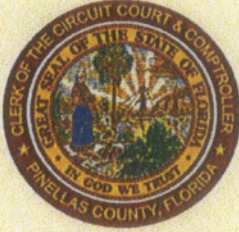
Convert the current IDRB forms and Project Eligibility Questionnaire (PEQ) available on their website to a format that can be completed and saved electronically (i.e. information may be inserted into the form, edited, saved, and supporting documents attached). One solution that is readily available and currently used throughout the county is Portable Document Format (PDF) with form fields. This format represents documents in a manner independent of application software, hardware, and operating systems, and supports fillable fields.

Status: Not Implemented.

Although management agreed with the recommendation at the time of the original audit, they now feel that further analysis shows there to be minimal, if any, benefit to changing to the electronic PDF format with fillable fields for the Project Eligibility Questionnaire. They also feel potential for much larger waste exists if the PDF has fillable fields. The online application continues to be available in a PDF format.

Management stated the following:

“There are extensive and very specific requirements in federal and state statutes/regulations in order to qualify for tax-exempt financing. The use of the PDF application ensures that the appropriate screening, education of the benefits and requirements, and preliminary reviews and referrals to bond counsel occur before the application is filled out. The majority of inquiries received find that their project is not eligible for IDRFB financing. Extensive time will be wasted if staff is unable to screen businesses prior to them completing and filing an online application.”



DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA
CLERK OF THE CIRCUIT COURT
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Write:

Fraud Hotline
Public Integrity Unit
Division of Inspector General
510 Bay Avenue
Clearwater, FL 33756