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: Audit of Pinellas County Economic Development Authority Industrial Revenue Bonds

DATE: September 27, 2012

For your review and filing in the Official Records, I am enclosing a copy of the report dated September 27, 2012 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
Maureen A. Freaney, Assistant County Administrator
Jim Bennett, County Attorney
Dennis Long, Chief Assistant County Attorney
Mike Meidel, Executive Director, Pinellas County Economic Development
Clareatha N. Harris, Chief Deputy Director, Finance Division
Ernst & Young

*Accredited Office of Inspector General by the Commission of Florida Law Enforcement Accreditation
DIVISION OF INSPECTOR GENERAL
Ken Burke, CPA
CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELAS COUNTY, FLORIDA

Audit of Pinellas County Economic Development Authority Industrial Revenue Bonds

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SEPTEMBER 27, 2012
REPORT NO. 2012-20
September, 27, 2012

The Honorable Chairman and Members
of the Board of County Commissioners

At the request of the County Administrator, we have conducted an audit of the Pinellas County Economic Development Authority Industrial Development Revenue Bonds (IDRB). Our audit objectives were 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.

We conclude:

- The IDRB application files were complete, adequate, and in compliance with Florida Statutes.
- The IDRB applications were processed in a timely manner.
- The Economic Development Authority’s internal controls over IDRB processes were adequate.
- The Economic Development Authority’s due diligence for project success was documented.
- IDRB fees were properly recorded in the General Ledger.

Opportunities for Improvement are presented in this report.
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
Pinellas County, Florida
Ex Officio County Auditor
*Regulated by the State of Florida
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INTRODUCTION

Synopsis

The Pinellas County Economic Development Authority’s (Authority) controls over the Industrial Development Revenue Bond (IDRB) processes are adequate, effective, and in compliance with legal requirements. Sponsoring the issuance of the IDRBs has supported the Authority’s mission and goals.

Scope and Methodology

At the request of the County Administrator, we conducted an audit of the Industrial Development Revenue Bonds (IDRB) issued by the Pinellas County Economic Development Authority (Authority). The audit covered the review of the processes used by the Authority to document the bond application and approval, an evaluation of internal controls, and compliance with Florida Statutes.

The objectives of our audit were 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.

In order to meet the objectives of our audit, we:

- Interviewed the Authority’s:
  - Staff
  - Management
- Reviewed supporting documentation to obtain a clear understanding of the processes and procedures for verifying the accuracy of:
  - Bond applications
  - Issuance
  - Approvals
- Tested, on a sample basis, the procedures used for verifying the reasonableness of the components of the bond application, and compliance with Florida Statutes.
- Reviewed the adequacy of internal controls.
• Performed other audit procedures as we considered necessary in the circumstances.

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

**Overall Conclusion**

The Pinellas County Economic Development Authority is properly delivering their services to Pinellas County through the IDRB process. We concluded that:

- IDRB application files were complete, adequate, and in compliance with Florida Statutes.
- IDRB applications were processed in a timely manner.
- The Economic Development Authority's internal controls over IDRB processes were adequate.
- The Economic Development Authority's due diligence for project success was documented.
- IDRB fees were properly recorded in the General Ledger.
## Action Plan

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<td>We recommend 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.</td>
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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.
OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures, and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

**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 recommend** 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.
Management Response:

The Pinellas County Economic Development Department (PCED) has reviewed the audit of its Industrial Development Revenue Bond (IDRB) program. We are pleased that the audit has confirmed that our department is delivering the IDRB program in a timely, complete, and compliant manner. One Opportunity for Improvement has been presented to PCED management to convert the IDRB application form to a Portable Document Format to allow it to be completed electronically. We intend to request assistance from the County’s BTS department to convert our application to this type of electronic format.
DIVISION OF INSPECTOR GENERAL
KEN BURKE, CPA
CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

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