

**Audit of Orange County's  
Participation in the  
Qualified Target Industry  
Program**



**Phil Diamond, CPA  
County Comptroller  
Orange County, Florida**

[www.occompt.com](http://www.occompt.com)



**Report 471  
July 2018**

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### Orange County Comptroller's Office

#### Mission

The mission of the Orange County Comptroller's Office is to serve the citizens of Orange County and our customers by providing responsive, ethical, effective, and efficient protection and management of public funds, assets, and documents, as specified in the Florida Constitution and Florida Statutes.

#### Vision

The vision of the Orange County Comptroller's Office is to be recognized as a highly competent, cohesive team leading the quest for continuing excellence in the effective safeguarding and ethical management of public funds, assets, and documents.



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OFFICE OF THE COMPTROLLER

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July 5, 2018

Teresa Jacobs, County Mayor  
And  
Board of County Commissioners

We have conducted an audit of Orange County's Participation in the Qualified Target Industry Tax Refund (QTI) program. The audit was limited to the payments made to the QTI program participants. The period audited was October 2015 through September 2017.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Response to our Recommendation for Improvement was received from the Economic Development Administrator and is incorporated herein.

We appreciate the cooperation of the personnel of the Economic Trade and Tourism Development Department during the course of the audit.

Phil Diamond, CPA  
County Comptroller

c: Ajit Lalchandani, County Administrator  
Eric Ushkowitz, Economic Development Administrator

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## **Why This Audit Is Important**

The Qualified Targeted Industry Tax Refund (QTI) Program is a significant, high-profile Program administered by the State of Florida. The Program is designed to provide tax refunds to companies that create high-wage jobs in targeted industries. Orange County paid \$148,902 and \$102,059 in fiscal years 2016 and 2017, respectively. Given the important purpose and cost of this Program, Orange County should ensure that payments comply with the terms of the QTI Resolutions passed by the Board of County Commissioners.

## **The Objective of Our Audit**

The audit objective was to ensure that payments made by the County under the QTI Program were in compliance with the QTI Program Resolutions approved by the Board.

## **What We Found**

### **Inaccurate Payments Made to DEO Have Not Been Refunded (Page 6)**

During our testing, we found that the Florida Department of Economic Opportunity (DEO) invoiced the County for the local financial support requirement for a QTI award even though the City of Orlando notified the DEO that it would be taking over the local financial commitment. Two payments totaling \$51,454 were paid by the Economic Trade and Tourism Development Department. The Department later learned of the error and requested the DEO refund the payments, but the DEO has not reimbursed the County for either payment.

### **Overall Evaluation (Page 5)**

Based on the results of our testing, we found that payments made by the County under the QTI Program were in compliance with approved Resolutions. A Recommendation for Improvement is included in the report.



## INTRODUCTION

### Background

The Economic Trade and Tourism Development Department (Department) administers the Qualified Targeted Industry Tax Refund (QTI) Program within Orange County. The QTI Program is a tool that provides tax refunds for companies that create high-wage jobs in targeted high value-added industries. According to the Florida Department of Economic Opportunity (DEO) these high value-added industries include:



(Source: [http://www.enterpriseflorida.com/wp-content/uploads/SI\\_Targeted\\_Industries.pdf](http://www.enterpriseflorida.com/wp-content/uploads/SI_Targeted_Industries.pdf))

For a company to be eligible for the QTI Program, the Orange County Board of County Commissioners (Board) must pass a Resolution specifying a local funding commitment. The commitment must be equal to at least 20 percent of the total



## INTRODUCTION

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award amount. No more than 25 percent of the total award may be paid to an applicant in any single fiscal year.

Once approved by the Board, the application is forwarded to the DEO for approval. The DEO is responsible for approving each QTI Program application. It also is responsible for certifying compliance with QTI Program requirements for all subsequent tax refunds. Orange County pays its share directly to the DEO.

Companies receive the incentives through refunds on corporate income, sales, ad valorem, intangible personal property, insurance premium, and certain other Florida state taxes. The incentives may be \$3,000, or more, for each new full-time equivalent job created in Florida by qualifying companies.

The amounts budgeted by Orange County for the QTI Program for fiscal years 2016 and 2017 were \$490,925 and \$373,800, respectively. Of the budgeted amounts, Orange County expended \$148,902 in fiscal year 2016 and \$102,059 in fiscal year 2017. Thirteen companies met their respective incentive requirements and received QTI payments during the audit period.

### **Audit Scope**

The audit scope was limited to payments made to QTI Program participants. The audit period was October 2015 through September 2017.

### **Audit Objectives**

The audit objective was to ensure that payments made under the QTI Program were in compliance with the QTI Program Resolutions approved by the Board.



## INTRODUCTION

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### **Audit Methodology**

To determine whether payments made under the QTI Program were in compliance with the approved Board Resolutions, we performed the following tests:

- Verified that the Department obtained evidence that payments made to the DEO met the requirements of the approved Board Resolutions;
- Reviewed the wage and job requirement verification process performed by the DEO; and,
- Ensured that the DEO reviews supported the job creation requirements specified in Board Resolutions relating to a sample of payments.

### **Overall Evaluation**

Based on the results of our testing, we found that payments made by the County under the QTI Program were in compliance with approved Resolutions. A Recommendation for Improvement is included in the report.



**1. Procedures Should Be Developed and Implemented for Approval of Invoices from the State for the Qualified Target Industry Program**

As part of our review, we analyzed whether the Economic Trade and Tourism Development Department (Department) had correctly paid the State of Florida Department of Economic Opportunity (DEO) for the County's share of Qualified Target Industry Tax Refund (QTI) awards.

In one instance, we noted that the Orange County Board of County Commissioners (Board) approved a Resolution recommending local financial support for a business to participate in the QTI Program in 2011. The Resolution stated the business was to be located within unincorporated Orange County. After the Board approved the Resolution, the applicant decided to locate within Orlando city limits—not unincorporated Orange County. In March 2013, the City of Orlando (City) approved a Resolution stipulating that the local financial support would come entirely from the City. The City notified the DEO and the County's Economic Trade and Tourism Development Department (Department) of the subsequent Resolution. DEO responded that it would record the change and invoice the City for the local financial support requirement.

Despite receiving notice of the City's subsequent Resolution, the DEO instead invoiced Orange County for the local financial support requirement in September 2015 and June 2016. These invoices, totaling \$51,454, were approved by the Department for payment and subsequently paid by the County. The Department later learned of the incorrect payments and requested a refund, but the DEO has not reimbursed the County for either payment as of May 2018.

We were informed by Department personnel that written procedures for approving and processing payments do not exist. Written procedures should document steps to be performed prior to approving each payment under the QTI Program. These procedures should include documenting that the payment meets the terms of the approved Resolution. As payments can occur infrequently for each approved QTI Program participant (if at all), a checklist should be developed for the required match amounts to be paid. Payments should only be authorized for approved QTI Program participants that meet the requirements of the Resolution. Controls should be in place to prevent payments from being approved for businesses that do not meet the terms of its Resolution.

Without an adequate system of internal controls over payments made to QTI Program participants, the County could be providing funding to the DEO for entities that do not meet the terms of their Resolution approved by the Board.

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### **Recommendation No 1:**

The Department should develop and implement written procedures for the authorization of local financial support payments made for QTI Program participants. These procedures should include a checklist that documents payments that meet the requirements of the Resolution. In addition, the Department should follow-up with the DEO to obtain a refund, or withhold future payments equal to the amounts overpaid.

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### ***Management's Response:***

*We have received the Audit of Orange County's Participation in the Qualified Target Industry (QTI) Program for the period of October 2015 through September 2017. After reviewing the report and recommendation for improvement, we concur that we should develop and implement written procedures for the authorization of local financial support payments made for QTI program participants. As suggested, the procedures will include a checklist that documents payments that meet the requirements of the Resolution. We also will continue to work with the Department of Economic Opportunity to recover any overpayments related to the program.*



## ACTION PLAN

NO.	RECOMMENDATION	MANAGEMENT'S RESPONSE		
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR
1.	The Department should develop and implement written procedures for the authorization of local financial support payments made for QTI Program participants. These procedures should include a checklist that documents payments that meet the requirements of the Resolution. In addition, the Department should follow-up with the DEO to obtain a refund, or withhold future payments equal to the amounts overpaid.	✓		