



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



Inspector General
Accredited

“Enhancing Public Trust in Government”

Audit Report

2018-A-0005

**Economic Incentive /
Development Program Survey**

March 13, 2018



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ECONOMIC INCENTIVE / DEVELOPMENT PROGRAM SURVEY

SUMMARY

WHAT WE DID

We conducted an Economic Incentive / Development Program survey of entities under the jurisdiction of the Office of Inspector General (OIG). This survey was performed as part of the OIG, Palm Beach County Fiscal Year (FY) 2018 Annual Audit Plan.

Our survey obtained information about entities that received grant funds or issued funds for Economic Incentive / Development Programs during FY 2017 (October 1, 2016 – September 30, 2017). The survey focused on municipalities and the Solid Waste Authority (SWA).¹ The OIG will use the information obtained in this survey in considering future audits.

During our FY 2018 Annual Risk Assessment, we determined that some grants were high risk due to potential complexity and regulatory requirements and were selected as a global audit topic. Upon further review of potential grant audit topics, Economic Incentive / Development Programs were selected under the grant global topic because each Economic Incentive / Development Agreement is different and complex. Specialized knowledge is needed to manage these

programs and Economic Incentive / Development Programs may provide funding to startup businesses that have a higher rate of failure than established companies.

WHAT WE FOUND

We found 30% (12 of 40) of the entities surveyed either issued funds or received grant funds for Economic Incentive / Development Programs.

Of the entities surveyed, 20% (8 of 40) issued a total of 25 individual Economic Incentive / Development grants or agreements that promoted Economic Incentive / Development in FY 2017. These agreements spanned multiple years and many were still active in FY 2017.

We found 12.5% (5 of 40) of the entities surveyed received funding from state or federal government grants for Economic Incentive / Development Programs. Funding awards ranged from \$180,000 to \$1,389,100 per entity.

Of the entities that issued or received funds for Economic Incentive / Development Programs, 42% (5 of 12) had either an external or internal audit

¹ Children Services Council (CSC) was excluded from the results because they do not receive audit services from the OIG.

conducted for those programs, agreements, or grants.

We also found that management and oversight for the Economic Incentive / Development Programs and grants varied widely across entities.

WHAT WE SUGGEST

We suggest that entities review this report in order to discover how other entities are

using Economic Incentive / Development Programs and as a benchmark to compare their own utilization of funds.

We suggest entities that have not had external or internal audits of their Economic Incentive / Development Programs ensure they adequately and properly monitor and oversee the program, agreements, or grants.

BACKGROUND

The OIG 2018 Annual Audit Plan has multiple entities selected for grant audits. The overall objectives for the global topic of grant audits included:

- Are grant programs operating as intended;
- Are there adequate controls for the program over receipt and distribution of funds, and to ensure eligibility of expenditures; and
- Are grants managed according to regulations and requirements.

Based on the variety of grants issued and received by entities, we conducted further review to determine which type of grant or program should be audited. The additional review focused on prior grant coverage by the OIG and corresponding risk factors. Risk factors included:

1. Dollar value of programs;
2. Level of monitoring;
3. Types of programs and type of funding;
4. Specialized skills needed to oversee the program; and
5. Uniqueness and complexity of agreements.

We determined that Economic Incentive / Development Programs had a high risk based on the following:

1. Programs may be in effect over multiple years;
2. Programs may be self-funded by the governmental entity;
3. Programs tend to provide money to startup business, which have a higher rate of failure than companies operating for at least five years;
4. Programs tend to require specialized skills and knowledge; and
5. Each agreement or grant may have complex requirements.

Based on the high level of risk associated with Economic Incentive / Development Programs, we selected Economic Incentive / Development Programs for inclusion in the FY 2018 Annual Audit Plan under the grant global topic.

SCOPE AND METHODOLOGY



Our office developed an Economic Incentive / Development Program Survey for municipalities and the special district under the OIG's jurisdiction. We used the survey to determine which entities had the highest level of risk associated with their programs. All 40 entities provided a response to the survey, which resulted in a 100% response rate.

The survey (see Exhibit 1) requested the following information from respondents:

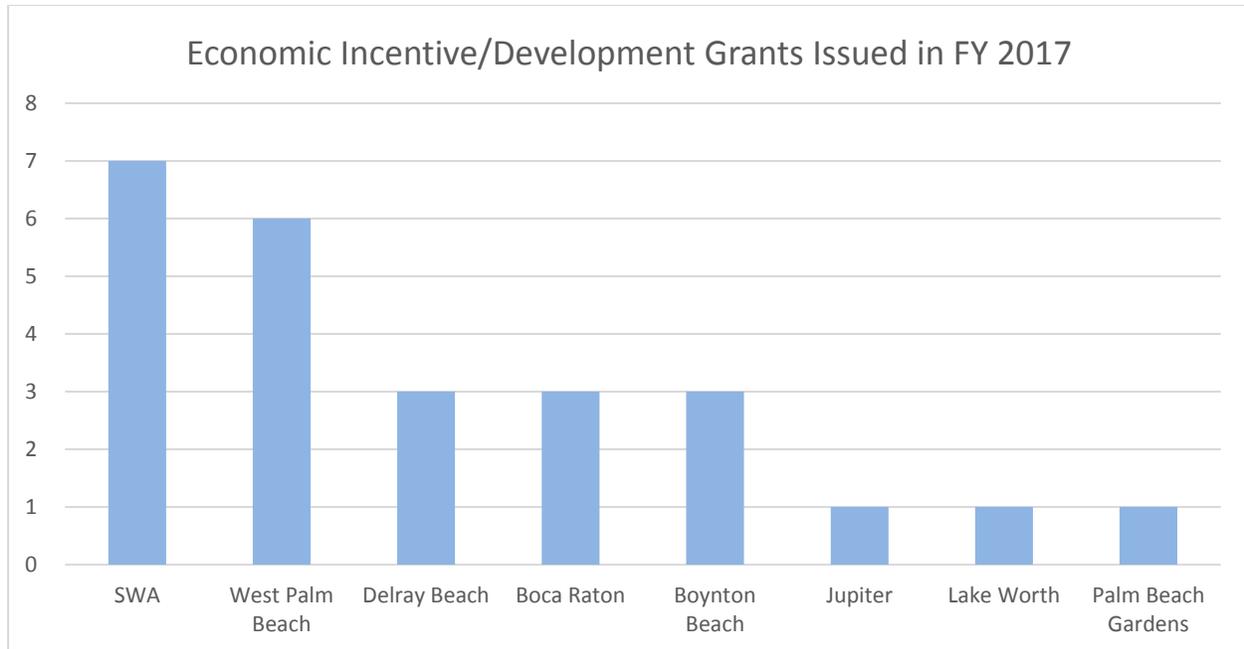
- Name of municipality/organization name,
- Name, date, and telephone number of the person completing the survey,
- Existence of Economic Incentive / Development Program(s) or grant(s),
- Number of grants awarded and the total value for the grants awarded / agreements entered by the entity for FY 2017,
- Number of grants / agreements received by the entity and the total value for the grants / agreements for FY 2017,
- List of the three (3) largest dollar Economic Incentive / Development Program grant / agreements issued or received, including the name of grant / agreement, total amount awarded, and the number of funding years,
- List of individuals who oversee or act as the program administrator for the Economic Incentive / Development Program, and
- Dates of any audits performed for the grants / agreements (including external or internal audits) and state by whom.

We analyzed the responses and self-reported information obtained. Based on our analysis of the information provided by the surveyed entities, we selected the City of Palm Beach Gardens for audit under the FY 2018 Annual Audit Plan. We based the selection on the entity's high dollar amount of funding issued under the Economic Incentive / Development Program from prior years. The total value of its top three active agreements issued in prior years was \$1,483,000, with varying funding years for each agreement. Additionally, based on the self-reported information, the City Manager is assigned to oversee the program, and there is not a separate function or department responsible for administering the program.

RESULTS

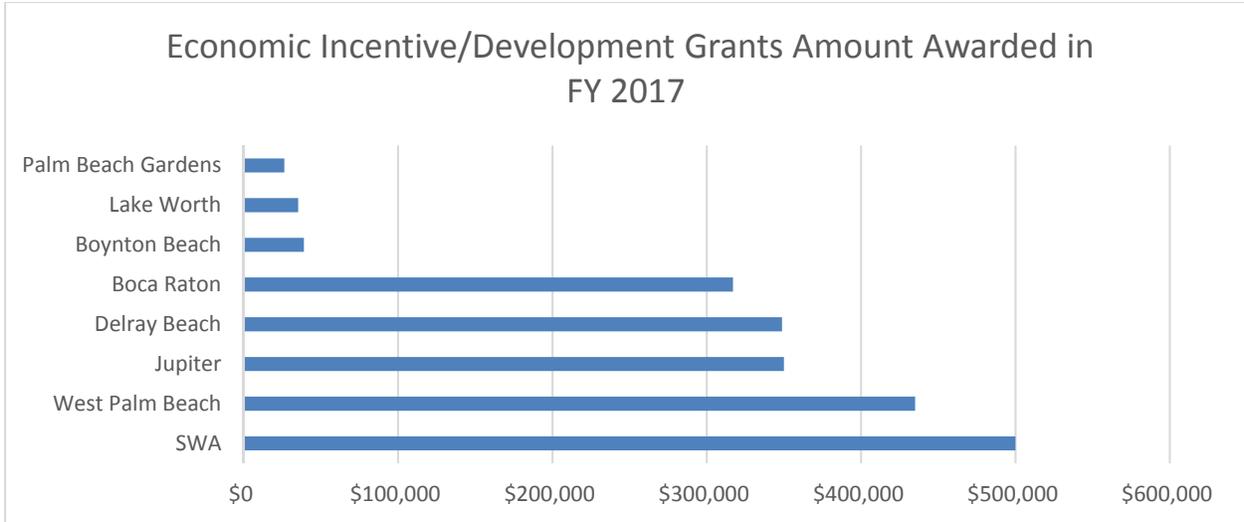
We found 30% (12 of 40) of the entities surveyed either issued funds or received grant funds for Economic Incentive / Development Programs.

We found 20% (8 of 40) of the entities surveyed issued a total of 25 individual grants or agreements that promoted Economic Incentive / Development in FY 2017. The Solid Waste Authority (SWA) issued the most grants / agreements in FY 2017. SWA entered into seven (7) new agreements that totaled \$500,000.

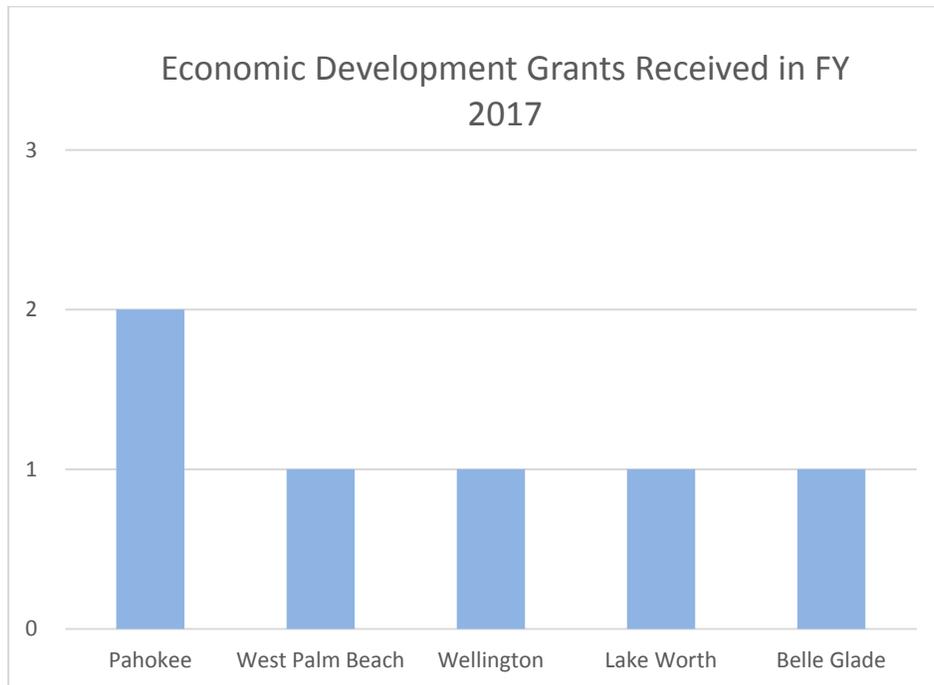


We also considered grants or agreements issued in a prior year that were still in effect in FY 2017. The two entities with the highest dollar value in grants or agreements issued from a prior year were the City of Palm Beach Gardens and the City of Boca Raton. The total value of the City of Palm Beach Garden's top three (3) agreements issued in prior years was \$1,483,000, with each agreement having a different number of years for funding. The total value of the City of Boca Raton's top three agreements issued in prior years was \$2,067,500, with each agreement funded for five (5) years.

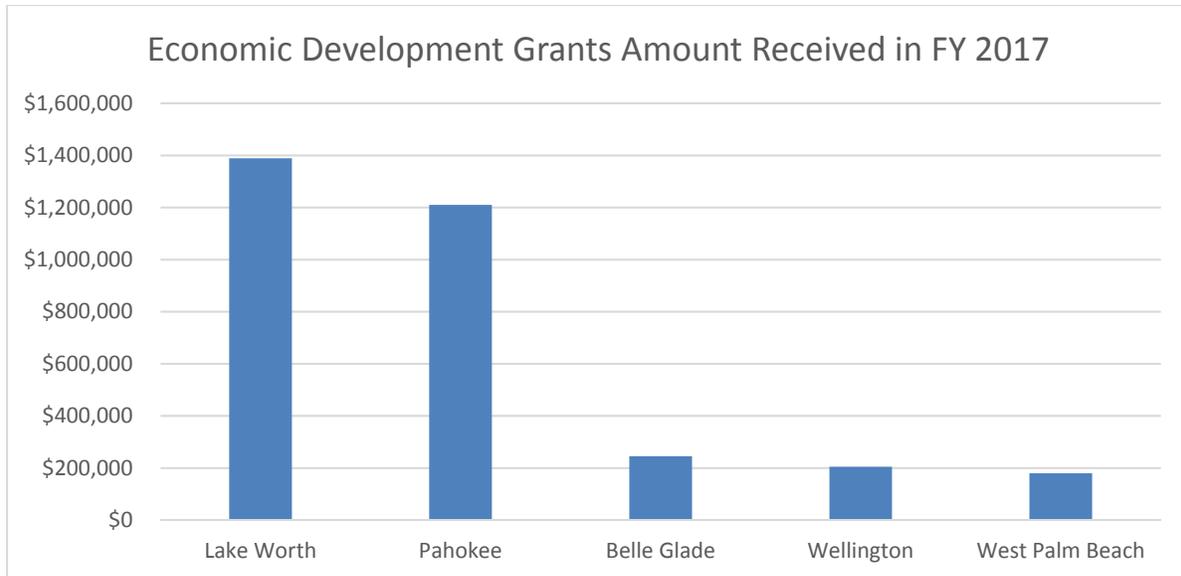
In FY 2017, Palm Beach Gardens issued the smallest value of new funding of \$26,250, towards its Economic Incentive / Development Program, and SWA issued the highest value of funding to the program which totaled \$500,000 for all agreements.



We found 12.5% (5 of 40) of the entities surveyed received funding from state or federal government grants for Economic Incentive / Development Programs.



Funding awarded to each of the five (5) entities ranged from \$180,000 to \$1,389,100. The City of West Palm Beach received one (1) grant award for \$180,000. The City of Lake Worth received the largest grant award of \$1,389,100 from the United States Economic Development Administration (US EDA).



We found 42% (5 of 12) of the entities surveyed that issued or received funds for Economic Incentive / Development Programs had either an external or internal audit conducted with regard to those programs, agreements, or grants.

We found that management and oversight for the Economic Incentive / Development Programs and grants varied widely across entities. The entities also varied on which department provided oversight and management of the programs, from the Customer Service Department; Community Relations or Services Department; Economic Development Department/Manager; Finance Department; Planning, Zoning, and Building Department; to the City Manager's Office.

SUGGESTIONS

We suggest that entities review this report in order to discover how other entities are using Economic Incentive / Development Programs and as a benchmark to compare their own utilization of funds.

We suggest that if entities have not had external or internal audits for their Economic Incentive / Development Programs that they ensure they adequately and properly monitor and oversee the program, agreements, or grants.

Review or consideration of this report may be helpful for entities issuing or receiving funds for Economic Incentive / Development Programs for comparison purposes.

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the forty (40) entities who responded to our Economic Incentive / Development Program survey and provided information, as needed, for our analysis.

This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Please address inquiries regarding this report to Director of Audit, by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

EXHIBIT LIST

Exhibit 1 – Survey Template

Exhibit 2 – Grants Issued / Received Results

Exhibit 3 – Entities with no Economic Incentive / Development Program

Exhibit 4 – Largest Economic Incentive / Development Grants

Exhibit 5 – Oversight

EXHIBIT 1 – SURVEY TEMPLATE

Office of the Inspector General
Economic Incentive/Development Program Survey
(FY2017-2018)



John A. Carrey
Inspector General

Municipality/Organization Name

(1) Does your organization have an economic incentive/development program(s) and/or grant(s)?

Yes
 No

If "no" please skip questions 2-6.

(2) For the previous Fiscal Year (2016-2017), please provide the number of economic incentive/development grants/agreements that your organization has **issued** and the total amount of these grants or agreements.

# of Grants/Agreements Issued	Total \$ Amount of Grants/Agreements
#	\$

(3) For the previous Fiscal Year (2016-2017), please provide the number of economic incentive/development grants/agreements that your organization has **received** and the total amount of these grants/agreements.

# of Grants/Agreements Received	Total \$ Amount of Grants/Agreements
#	\$

(4) Please provide the following for your organization's 3 largest dollar economic incentive/development grants/agreements: the grant/agreement names, total amount awarded, whether your organization is the issuer or receiver, and the number of years funded.

Grant/Agreement Name	Total \$ Amount	Issued or received	Number of Years Funded
	\$	#	#
	\$	#	#
	\$	#	#

(5) Who in the organization is currently assigned to oversee or act as the program administrator for the economic incentive/development program?

Title/Position	Program Name

(6) Have there been any audits of these grants/agreements? (including internal and external audits)

Yes
 No

By whom and when was the last audit conducted?

Entity Who Conducted the Audit	Date of Audit Report Issuance

(7) Please provide any additional comments:

Prepared By: _____ Date: _____

Print Name: _____ Contact Phone Number: _____

Name Title

EXHIBIT 2 – GRANTS ISSUED / RECEIVED RESULTS

Survey Results (Self-Reported by Entity)					
Entity	Program	# of grants issued	Total \$ of grants issued in FY 2017	# of grants received	Total \$ of grants received
SWA	Yes	7	\$ 500,000	0	\$ -
West Palm Beach	Yes	6	\$ 435,073	1	\$ 180,000
Boca Raton	Yes	3	\$ 317,000	0	\$ -
Boynton Beach	Yes	3	\$ 39,000	0	\$ -
Delray Beach	Yes	3	\$ 348,800	0	\$ -
Jupiter	Yes	1	\$ 350,000	0	\$ -
Palm Beach Gardens	Yes	1	\$ 26,250	0	\$ -
Lake Worth	Yes	1	\$ 35,275	1	\$ 1,389,100
Palm Springs	Yes	0	\$ -	0	\$ -
Belle Glade	Yes	0	\$ -	1	\$ 244,786
Pahokee	Yes	0	\$ -	2	\$ 1,210,000
Wellington	Yes	0	\$ -	1	\$ 240,600

EXHIBIT 3 – ENTITIES WITH NO ECONOMIC INCENTIVE / DEVELOPMENT PROGRAM

Entity	Program
Atlantis	No
Briny Breezes	No
Cloud Lake	No
Glen Ridge	No
Golf	No
Greenacres	No
Gulf Stream	No
Haverhill	No
Highland Beach	No
Hypoluxo	No
Juno Beach	No
Jupiter Inlet Colony	No
Lake Clarke Shores	No
Lake Park	No
Lantana	No
Loxahatchee Groves	No
Manalapan	No
Mangonia Park	No
North Palm Beach	No
Ocean Ridge	No
Town of Palm Beach	No
Palm Beach Shores	No
Riviera Beach	No
Royal Palm Beach	No
South Bay	No
South Palm Beach	No
Tequesta	No
Westlake	No

EXHIBIT 4 – LARGEST ECONOMIC INCENTIVE / DEVELOPMENT GRANTS

Survey Results (Self-Reported by Entity)						
Entity	Largest \$ Economic Grant	Largest Economic Grant Name	2nd Largest \$ Economic Grant	2nd Largest Economic Grant Name	3rd Largest \$ Economic Grant	3rd Largest Economic Grant Name
Delray Beach	\$ 200,000	Issued - Aldridge Pite (Job Creation)	\$ 90,000	Issued - DRB Capital	\$ 58,800	Issued - Project Budler
Jupiter	\$ 350,000	Issued - Bio Curify	\$ -	-	\$ -	-
Boynton Beach	\$ 15,000	Issued - Buildout Grant	\$ 12,000	Issued - Rent subsidy Non Prophet Brewing	\$ 12,000	Issued - Rent subsidy So FI Stairs
Palm Beach Gardens	\$ 630,000	Issued - Carrier Corporation	\$ 503,000	Issued - TBC Corporation	\$ 350,000	Issued - Zimmer / Biomet
SWA	\$ 107,445	Issued - City of Belle Glade Water Plant	\$ 99,070	Issued - City of Riviera Beach Cunningham Park	\$ 72,700	Issued - City of Lake Worth Armory Art Annex
Boca Raton	\$ 1,500,000	Issued - Office Depot	\$ 357,500	Issued - Cancer Treatment Center	\$ 210,000	Issued - Garda
West Palm Beach	\$ 180,000	Received - 12 X 12 Popup to Rent	\$ 145,000	Issued - Warehouse District Public Walkway Project	\$ 100,000	Issued - Steam Horse Brewery
Wellington	\$ 240,600	Received - Community Development Block Grant	\$ -	-	\$ -	-
Belle Glade	\$ 535,293	Received - Community Development Block Grant (CDBG)	\$ -	-	\$ -	-
Pahokee	\$ 1,000,000	Received - Marina Attenuation Improvements (State Fund)	\$ 210,000	Received - Glades Resurfacing (reoccurring FDOT)	\$ -	-
Lake Worth	\$ 1,389,100	Received - US EDA	\$ 35,275	Issued - El Bodegon Supermercados	\$ -	-

EXHIBIT 5 – OVERSIGHT

Survey Results (Self-Reported by Entity)			
Entity	Oversight of Program	Last Audit	Type of Audit
SWA	Customer Service	None	
West Palm Beach	Economic Development	None	
Boca Raton	Economic Development	3/31/2017	External
Boynton Beach	Development	None	
Delray Beach	Economic Development	None	
Jupiter	Finance Department	3/24/2017	External
Palm Beach Gardens	City Manager	5/25/2017	External
Lake Worth	Economic Development	None	
Palm Springs	Planning, Zoning, and Building	3/21/2017	External
Belle Glade	Finance Department	3/28/2017	External
Pahokee	Community Relations and City Manager	None	
Wellington	Community Services	None	