



Hardee County
Economic Development Office
107 E. Main St, Wauchula, FL 33873

HARDEE COUNTY
ECONOMIC DEVELOPMENT COUNCIL



HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY

December 8, 2015

Sherrill F. Norman, CPA
Auditor General, State of Florida
Claude Denson Pepper Building, Suite G74
111 W. Madison St.
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, requiring written explanation and response within thirty (30) days, enclosed is my response as Chair of the Hardee County Industrial Development Authority on behalf of the IDA and the Hardee County Economic Development Council to your letter of November 10, 2015, including a list of preliminary and tentative audit findings and recommendations that may be included in a report to be prepared on your operational audit follow-up to Operational Report 2013-102.

We appreciate the time and effort your staff has taken in conducting this review of our operations, and we are pleased to note that your office has concluded that on 8 out of 10 areas of initial concern that we have either corrected the matter or have had no occasion on which to correct them. On the other two matters, your office has found that we have partially remedied the situations, and I want to assure you we intend to fully address those matters moving forward.

We have accepted this review as an opportunity for us to demonstrate our efforts toward compliance and continual improvement with our monitoring and award processes.

Please contact this office if you have any questions or concerns.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Vanessa Hernandez".

Vanessa Hernandez, Chair
Hardee County Industrial Development Authority



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ECONOMIC DEVELOPMENT COUNCIL
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RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS

SUMMARY

Below are the acknowledgements and responses of the Hardee County Economic Development Council / Hardee County Industrial Development Authority in reference to the Follow Up Report by the State of Florida Auditor General's office on the Operational Report 2013-102 regarding economic development activities administered by the Hardee County Industrial Development Authority, Hardee County Economic Development Authority and Hardee County Board of County Commissioners.

FINDING RESPONSES

Finding 1: Compliance with Chapter 159, Florida Statutes – The IDA's actions corrected this finding.

IDA Chair Response: We agree with the Auditor General's evaluation of our actions. Per the Attorney General Opinion No. 2013-12 issued June 6, 2013, the IDA was within their authority to enter into the awarded grant contract. We also agree that we have not executed any similar grants.

Finding 2: Grant Agreement Design – The IDA had no occasion to correct this finding.

IDA Chair Response: We agree with the Auditor General's summary that there was no occasion to correct this finding as it relates to awarding any new grants. We would also like to note or have consideration given that the IDA did make effort to improve the monitoring process and improve deliverables on the subject project as well as introduce a potential remuneration agreement as negotiation permitted.

Finding 3: Grant Monitoring – The IDA’s actions partially corrected this finding.

IDA Chair Response: The report substantially cites a Presentment from the local grand jury empaneled by the district State Attorney and acknowledges that the IDA drafted and approved responses to the Presentment. While we intend no disrespect to the grand jury process, it must be noted and understood that a Presentment is not a “finding of fact;” none of the witnesses have been subject to cross-examination, nor have any of the conclusions been tested in a court of law. Nonetheless, as reflected in the IDA Board Minutes, the board responded positively by discussing options to add co-counsel, implement an annual evaluation process and also has discussed improving grant monitoring processes and implemented improvements in the monitoring of EDA grants.

As to the validity of including the Presentment and citing this in the re-audit, GAO-12-331G – Section 6 – this document outlines several areas that make inclusion of this “evidence” in an audit immaterial unless the auditors reviewed and substantiated the information and claims presented therein, or the credentials of those “creating” and evaluating the evidence.

-The State Attorney’s office published information that was not released to the public or in the custody of a public official that they obtained through subpoena power. There is ongoing litigation with all parties related to this particular project to determine and define what should be considered subject to F.S. 288.075 and F.S. 119. Evidently there is no case law to answer for this that we are aware of. Concerns related to the Presentment were not discussed by the audit staff with the IDA in the exit interview so they could be addressed. The IDA Chair did communicate the concerns on the above to the Auditor General’s office prior to formulating the responses.

-Similarly, in reference to the circumstances related to the audit, the IDA concurs that the draft report was presented in the December 2014 meeting. After discussion on the questioned costs and related party costs and hearing input from the audit firm, the IDA discussed considering other costs incurred but not listed during and after the audit period to substantiate the project’s investment outside of IDA funding. Clifton Larsen Allen was asked if they would be able to substantiate additional capital invested in the company by the principals and other sources along the guidelines requested by the IDA. CliftonLarsenAllen confirmed that they could and they were directed to do so by the IDA board and billed the IDA for these services. At a subsequent meeting, they provided confirmation to the IDA and shared the information requested. The IDA discussed considering these investments as an offset to the “Questioned Costs” referenced.

-Similarly the IDA has strong concerns regarding the appropriateness of including the report by the CliftonLarsenAllen firm when this firm is also a party in the lawsuit that is currently pending related to this matter. We would like to note however, the IDA has not challenged the content of that portion of the Clifton Larsen Allen Audit Report.

On another note, although some local parties have been unreasonably critical of this same project and have attempted to derail it through constant harassment, it should be noted the project has managed to not only survive but thrive from our initial investment. It has had 2 subsequent rounds of investor funding, totaling to date roughly \$23 Million. As of the latest totals, it has created more than 100

current jobs in Hardee County, and it is expect to reach an annual payroll of more than \$4 Million by the end of 2016. Investors in the project include such highly regarded institutions as Merck Global Health Innovation Fund (Merck GHI), Greycroft Partners and Harbert Venture Partners.

Finding 4: Acquisition of Building for Technology Center – The IDA had no occasion to correct this finding.

IDA Chair Response – The IDA concurs with the finding that there was no opportunity to correct the criticisms cited in the original audit and has to date not entered into similar agreement.

Finding 5: The IDA's Financial Reporting – The IDA's actions corrected this finding.

IDA Chair Response – The IDA concurs with the finding that IDA actions corrected the finding. Of note, once brought to the IDA's attention, financial reporting has remained consistently timely in their filings.

Finding 6: Independent Auditor's Findings – The IDA's actions corrected the finding.

IDA Chair Response – The IDA concurs with the finding that IDA actions corrected the finding and in addition has added appropriate internal controls. Also, the IDA board has advised with another audit/accounting firm to assist in managing and ensuring proper internal controls are followed.

Finding 7: IDA Bank Accounts – The IDA's actions corrected this finding.

IDA Chair Response – The IDA concurs that our actions corrected this finding. Furthermore, we have maintained timely transition of updating signature cards as needed to ensure compliance.

Finding 8: IDA Staffing – The IDA's actions corrected this finding.

IDA Chair Response – The IDA concurs that our actions, assisted by the resolution by the BOCC to consolidate the IDA/EDC boards, resolved any staffing conflict of EDC staff duties therefore negating the need or validity of a contract between entities.

Finding 9: IDA Construction of Spec Building – The IDA partially complied with recommendations.

IDA Chair Response – The IDA will continue to improve upon and refine its construction management procedures related to competitive selection, focusing particularly on projects expected to exceed the project cost limits of \$2,000,000.

The IDA will maintain a roster of persons attending bid openings beyond the “initials” of staff provided in previous documentation.

Contracts will be negotiated henceforth ensuring liquidated damage amounts are established with adequate financial protections against untimely project completion.

Finding 10: IDA Construction of Broadband Network – The IDA’s actions corrected this finding.

IDA Chair Response – The IDA concurs that our actions corrected these findings. At the conclusion of this project, an audit of contract deliverables occurred to ensure compliance with the contract. The independent auditor was able to conclude the project exceeded the required matching contributions of \$2 Million and substantiated a total investment by Rapid of over \$6 Million.