

**Verifying Nissan's New Hires**

As part of the Office of the State Auditor's Bond Monitoring Program, our Performance Audit Division traveled to Nissan headquarters in Smyrna, TN and Canton, MS to determine whether Nissan actually met the benchmark of 5,300 employees by the required date of December 31, 2004. This is an increase of 1,300 jobs over the previous years in connection with the Delta II project completion. (Shortly after the first of the year, Nissan North America, Inc. certified to the MS State Tax Commission, the Mississippi Development Authority (MDA), and the Office of the State Auditor (OSA) that it did, in fact, have in excess of 5,300 new direct employees working at its Canton, MS plant.)

There were two reasons for our involvement. First, the Mississippi Legislature authorized OSA in §57-75-15 (4)(c) of the Mississippi Code to conduct necessary monitoring activities. Second, all parties benefit from enhanced credibility when an independent agency not directly involved in implementing the terms of the Memorandum of Understanding (MOU) between the State and Nissan is able to cost-effectively verify a result like this.

Verification MethodologyNissan

A test sample of two percent (2%) was randomly selected from a list provided by MDA of employees submitted by Nissan to the State Tax Commission. The list had been prepared by Nissan for use in meeting their employee threshold requirements. There are a number of tax incentives which can only be met by Nissan's being able to clearly establish how many employees they have at a given moment in time. This is complicated by the need to adjust the total number of hires to account for terminations and a variety of other smaller factors which impact on the exact number.

Had any exceptions been found in examining our test sample, our procedure called for an automatic increase to a five (5) percent sample. Next, employment data was traced within the payroll section of Nissan's automated employee recordkeeping system. We examined and verified four (4) data elements: date of hire; evidence that the employee was working as of 12/31/04; and that employment was traceable to both W-2 and W-4 tax forms.

Leased Employees

Because the definition of 'employee' in the Mississippi Advantage Jobs Act §57-62-5(b) of the Mississippi Code includes 'leased employees' as well, OSA also post audited leased personnel.

A test sample of two (2) percent was randomly selected from another list provided by MDA of employees leased to Nissan by Yates Services, Minact Yates, Distribution & Auto Service, Inc. (DAS), Whole Health Management, and Randstad submitted to the State Tax Commission. The same five (5) percent sampling escalation in case of even a single discrepancy was included in our procedure.

Nissan Meets the Requirements

OSA concludes that Nissan met the requirements of the MOU by having at least 5,300 employees at its Canton, Mississippi facility as of December 31, 2004.

However, OSA's audit tests revealed discrepancies with the contracting company Randstad. (Randstad is a contracting company used by Nissan for various temporary positions within the company.) Randstad provided the State Tax Commission a list of employees with a guarantee of at least 1 year full time employment. However, when auditing the list of positions filled by this contractor for Nissan it was revealed that positions defined as "full-time" by Randstad do not meet the state statute §57-62-5 (c) definition of a Full Time Employee.

As a result OSA verified every employee on the list (181), but through careful analysis and legal counsel it was revealed that the full-time employees did not meet the 35 hour work week as necessary to meet the full time position requirement and will not be included in the total count of full time employees for 2004. It was found that 57 positions on the list were terminated, 9 were part-time active positions, and the remaining were temporary positions that do not appear to qualify as full-time employment.

To assist in interpreting the statute as defined in the MOU, OSA asked for a definition of the law from the State Tax Commission. OSA also sought legal counsel with its Technical Assistance Division to determine the validity of Randstad's employment list.



As defined by the State Tax Commission §57-62-5 (c) "Full-time job means a job of at least thirty-five (35) hours per week; it is one position, which is to be occupied by a single individual. There can be normal turn over in that position and that one position can still qualify as a full-time job. In this case, if the period of vacancy is short, no more than two weeks, it is still considered to be a full time position. A full time job would not consist of several individuals working during the same week, that when their hours for the week are totaled add up to the 35 hour week requirement for a single job."

The problem with Randstad is indicative of potential problems with all economic development bond projects with large companies that use contract labor. The two problems OSA found are: 1) In many instances Randstad is providing employees on a temporary basis, and 2) they are filling positions that are not permanent positions.

Because the definition of an employee is not clear and specific there is no guarantee that the spirit or letter of the law is being met. The intent of this appears to be the creation of full time jobs. At best in this situation only temporary positions are being filled that may or may not exist month to month. The state has no guarantee that the job creation is being met, therefore the employee definition needs to be refined for both Nissan and all future bond monitoring projects.

Final Employee Count as Audited

Nissan Employees as of December 31, 2004

Company	Reported to State Tax Commission	New Hires/ Terminations	Ineligible ¹	Total as of Dec. 31, 2004
Nissan - Canton	4261	0	0	4261
* Yates Services	649	0	0	649
* Minact Yates	609	-10	0	599
* DAS	192	0	0	192
* Whole Health	26	0	0	26
* Randstad	181	-57	-124	0
Total	5918	-67	-124	5727

¹ Ineligible - employees who do not meet the full time position as required by §57-62-5 (c)

Hiring Data By Home County

OSA continues to be interested in obtaining any demographic data which might be available from Nissan regarding the characteristics of the Canton work force. The map shows Nissan hires, by county of residence, as of December 31, 2004.

