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Performance Audit Division:
An Economic Development Bond Audit
PACCAR Engine Company
Columbus, Mississippi
2015 Employee Verification
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The Office of the State Auditor (OSA) monitors the expenditure, employment, construction, and in some cases, the productivity of a number of State-funded major economic development projects. Chapter 75, Title 57 of the Mississippi Code of 1972, Annotated, is the Mississippi Major Economic Impact Act (MMEIA) and has historically been used by the Legislature to structure major economic projects such as PACCAR Engine Company (PACCAR) located in Columbus, Mississippi.

Under MMEIA, the State Bond Commission is given the power to borrow money and issue general obligation bonds to projects the State declares as major economic projects. Bonds issued are more defined in MS Code §57-75-5. The lead agency for economic development projects is the Mississippi Development Authority (MDA); which is responsible for creating opportunities that bring economic development to communities and greater employment opportunities to workers and businesses throughout the State.

The following is a brief onsite analysis of the PACCAR audit. Beginning on Monday, September 19, 2016, OSA performed an audit of the accuracy and reliability for the 2015 employee's information of PACCAR. As a legislatively approved major economic impact bond project MS§57-75-5(f)(xxii), the State Bond Commission authorized a total of \$48.4 million in general obligation bonds, during the 2007 First Extraordinary Legislative Session(SB 2001). This audit was conducted to ensure the company's commitments and threshold dates were achieved accurately to receive funding from the State as agreed upon in the original Memorandum of Understanding (MOU) dated May 11, 2007 and the Second Amendment to the MOU dated September 2013 to create at least 500 new full-time jobs no later than December 31, 2015. In addition, OSA confirmed PACCAR met its capital investment obligation of investing not less than \$300 million in the Project and ensured compliance with the Mississippi Employment Protection Act (MEPA).

The audit utilized PACCAR's employee listing from September 2016. OSA examined a 10% sample, totaling 57 employees. The following data elements were reviewed: date of hire, creation of 500 new full-time jobs as of December 31, 2015, and verification of employment that was traceable to W-

2/W-4 tax forms and payroll documents provided by PACCAR. *Based on the OSA's test procedures, PACCAR did satisfy compliance with Article III, Section 2.01(c) of the 2nd Amendment MOU by directly creating at least 500 new full-time jobs on the Project Site as of December 31, 2015.* 57 out of 57 employees reviewed had complete and/or verifiable evidence of employment.

Admittedly, PACCAR exceeded its capital investment of \$300 million in the Project. However, this was not until after the investment obligation date of December 31, 2010; in an approximate amount totaling \$434.6 million. *For this reason, OSA finds PACCAR did not satisfy compliance with its commitment as stated in the original MOU-Article II, Section 2.01(b) by investing not less than \$300 million in the Project no later than December 31, 2010.* Per the language in the MOU (Article III Section 9.02(a)), the company remedies for failure to perform allows the State and PACCAR to first confer in good faith and to take into consideration the following factors: the reason the company has failed to meet the investment commitment, the company's efforts to correct the problem, and to mutually accept alternatives as the company performance and enforcement of the provision of the MOU. A total of \$48 million in equipment was utilized for sampling purpose. OSA found 16 of the 16 items reviewed did correspond back to verifiable documentation provided by the company in the total sum of \$48 million.

PACCAR *did satisfy compliance* with the MEPA by registering with the federal status verification system by July 1, 2010. OSA's test procedures verified PACCAR administrative staff had successfully completed and registered in the E-Verify system. *OSA finds PACCAR has maintained compliance with MEPA by utilizing the federal status verification system to verify all newly hired employees.*

In conclusion, the overall accomplishments of the PACCAR project appear to be a success to the State of Mississippi. The Legislature's economic goal for this project was met, jobs were created and/or maintained, and investments were made.