



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

Management Letter #19 Regarding:

An Economic Development Bond Audit of the Pharma Pac LLC in Dekalb, Mississippi

April 11, 2013

Mr. Brent Christensen
Executive Director
Mississippi Development Authority
P. O. Box 849
Jackson, MS 39205

RE: 2012 Employee Verification

Dear Mr. Christensen:

Beginning on Monday, October 29, 2012, the Office of the State Auditor's (OSA) Performance Audit Division (PAD) performed an audit of the accuracy and reliability of the 2012 employee data and compliance with the Mississippi Employment Protection Act (MEPA) at Pharma Pac LLC (Pharma Pac) - DeKalb facility located in Kemper County, Mississippi. This audit was conducted under the authority granted under MS§57-75-5(f)(xv) to ensure the company's commitments and threshold dates were achieved accurately for receiving tax incentives and additional funding from the State of Mississippi as agreed upon in the Memorandum of Understanding (MOU) and the First Amendment to the MOU.

As a legislatively approved, major economic impact project designed to maintain and expand the existing plant, the State Bond Commission authorized a total of \$500,000 in general obligation bonds for Pharma Pac. In 2008, Pharma Pac made a capital investment to the project in an amount not less than \$500,000, which OSA previously verified in Management Letter #12, dated December 7, 2011.

To ensure the company appropriately expended the bond issuance, the PAD validated the company directly employed 89 persons full-time in Mississippi as of January 1, 2005 and maintained at least 179 full-time direct jobs. The audit utilized Pharma Pac's employee listing from October 2012. The PAD examined and verified a 20% sample of the following data elements: date of hire, and employment data traceable to W-2 and W-4 tax forms. The PAD staff also traced Pharma Pac employment data to payroll documents provided by the company. ***Based on the OSA's audit test procedures, Pharma Pac employed 92 persons at the site as of January 1, 2005 and met its employment obligation by maintaining at least 179 direct full-time jobs.*** The OSA's procedures verified Pharma Pac currently employed 196 employees as of October 30, 2012.

In conjunction with the employee verification, the PAD confirmed the company compliance with the Mississippi Employment Protection Act by reviewing the company's E-Verify MOU, Form I-9s, and

E-verify confirmations. *Based on the OSA's audit test procedures, the company complies with the MEPA by registering and using the Federal Government's E-verify System to determine employees eligibility to legally work in the United States. However, 1 out of 12 employees' evidence of identity (Section 2 of Form I-9) was not completed by the employer within three business days of the date of employment and 7 out of 12 employees were not E-verified within three business days after hire date.*

Sincerely,



Brandie Branch
Project Manager

cc: Governor Phil Bryant
Lt. Governor Tate Reeves
Philip Gunn, Speaker of the House
Herb Frierson, Chairman of Appropriations, House of Representative
Eugene Clarke, Chairman of Appropriations, Senate
Chuck Mobley, Mississippi Development Authority
Neil Sirkin, Pharma Pac
Michael Lalor, Pharma Pac
Tammie Holmes, Pharma Pac
Arrenthea Kirkland, Pharma Pac