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Performance Audit Division:
An Economic Development Bond Audit
Cooper Tire and Rubber
Tupelo, Mississippi
2014-2015 Employment 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 Cooper Tire and Rubber (Cooper) located in Tupelo, 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 are defined in MS Code §57-75-5. The lead agency of economic development 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 Cooper audit. Beginning on Monday, June 12, 2017 OSA performed an audit of the accuracy and reliability of the 2014 and 2015 employment data and compliance with the Mississippi Employment Protection Act (MEPA) at Cooper. This audit was conducted under the authority granted in §57-75-5(f)(xxiv), Mississippi Code of 1972 to ensure the company's commitments and maintenance dates were achieved and/or maintained accurately for receiving tax incentives and any additional funding from the State of Mississippi as agreed upon in the Memorandum of Understanding (MOU) dated May 8, 2009.

As a legislatively approved major economic impact project designed to maintain and expand the existing plant, the State Bond Commission authorized a total of \$13 million dollars in general obligation bonds in May 2009. In 2011, Cooper made a capital investment in the project in an amount not less than \$25 million, which OSA previously verified in Management Letter #16, dated July 29, 2012.

To ensure the company appropriately expended the bond issuance during the 2017 audit, the OSA verified that the company employed and maintained 1,200 persons with an annual average salary of at least \$45,000 for a minimum of 10 years. The audit utilized Cooper's employee listing from May 1, 2013 - 2015. OSA examined and verified a 15% sample of the following data elements: application of date of hire, W-2 and W-4 tax forms, E-verify confirmations, and payroll documents provided by the company. ***Based on OSA's audit test procedures, Cooper has met its obligation per the original MOU Article II Section 2.2(ii) to maintain 1,200 persons at the Project Site with an average annual salary of \$45,000 for at least 10 years.*** As of the June 15, 2017, Cooper has 1,350 active employees at the Project site. OSA notes that 29 out of 151 W-4s reviewed were not obtainable during the time of the audit. Verification of Cooper employment figures will continue until May 1, 2019; at which time, OSA will conclude monitoring oversight.

In conjunction with the employment verification, OSA confirmed Company compliance with MEPA by reviewing the company's E-Verify Memorandum of Understanding and confirmations. ***OSA finds Cooper did comply with the MEPA by registering and utilizing the federal status verification system to verify all newly hired employees by July 1, 2011 per Senate Bill 2988, Mississippi Legislative 2008 Regular Session.*** Based on OSA's test procedures, OSA confirmed that Cooper enrolled in the E-Verify system on June 2, 2011. Once a company enrolls in E-Verify, the company agrees to the rules and responsibilities mentioned in the E-Verify Memorandum of Understanding.

In conclusion, the overall accomplishments of the Cooper 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.