



OFFICE OF THE STATE AUDITOR

Performance Audit Division Update

Bond Monitoring Program – Nissan Project #1, '04

Verifying Nissan's New Hires

As part of the Office of the State Auditor's Bond Monitoring Program, our Performance Audit Division recently traveled to Nissan headquarters in Smyrna, Tennessee to determine whether Nissan actually met the benchmark of 4,000 new direct employees by the required date of December 31, 2003. (Shortly after the first of the year, Nissan North America, Inc. certified to us and to the Mississippi Development Authority (MDA) that it did, in fact, have in excess of 4,000 new direct employees working at its Canton, MS plant.)

There were two reasons for our involvement. First, the Mississippi Legislature authorized OSA in Section 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.

OSA's Verification Methodology

Nissan

A test sample of two (2) percent 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 three (3) data elements: date of hire; evidence that the

Nissan Employees as of December 31,2003			
Company	Reported to State Tax Commission Oct.-Dec., 2003	New Hires/ Terminations	Total as of Dec. 31, 2003
Nissan – Canton	3,313	-53	3,260
* Minact Yates	670	-215	455
* Yates Services	578	-108	470
* DAS	178	-29	149
* PJC&M	74	0	74
* Whole Health	35	1	36
* IBM	12	-2	10
Total	4860	406	4,454

* see "Leased Employees" on back of page.

employee was working as of 12/31/03; and that employment was traceable to a W-2 federal income tax form.

Leased Employees

Because the definition of 'employee' in the Mississippi Advantage Jobs Act Section 57-62-5(b) of the Mississippi Code includes 'leased employees' as well, OSA also examined the two largest sources of 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 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.

Because of logistical problems in obtaining the same type of list for a second contractor, Minact Yates, we had to devise an alternative procedure. From payroll records in Canton, we generated a list of all personnel, deleting all terminations prior to 12/31/03 and new hires after that date. The remaining names were traced to the payroll records to determine that the listed employees were on the payroll on that day. We also traced this list to W-2 federal income tax forms.

Nissan Meets the Requirements

Our audit tests revealed no discrepancies. Therefore, we can reasonably conclude that Nissan met the requirements of the MOU by having at least 4,000 employees at its Canton, MS facility as of December 31, 2003.

More Monitoring Activities to Follow

With this initial determination now behind us, we anticipate several additional Nissan-

related Bond Monitoring Program activities before we verify the second employment threshold in the first quarter of 2005. Among the activities planned, OSA intends to verify that the average annual wage meets the statutory requirements for certain tax credits and conduct a systematic review of payment practices. This latter activity will be carried out on invoices from all bond monitoring projects, rather than just Nissan.

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, 2003.

