



GARLAND

INTERNAL AUDIT

Kraft Employee Retention Agreement

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Report 202001

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Executive Summary

This audit provides a reasonable assurance that the Kraft Heinz Company (Kraft) is in compliance with the Second Amended Economic Development Agreement dated June 25, 2014 and employed at least 391 full time employees during the audit period of September 1, 2018 through August 31, 2019.

Authorization

This audit was conducted under the authority of Article IV, Section 8 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

Objective

The objective of this audit was to evaluate Kraft's compliance with the Economic Development Agreement regarding Kraft's employment of 391 full-time employees through August 31, 2019.

Scope and Methodology

IA conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that IA plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for IA's findings and conclusions based on the audit objective. IA believes that the evidence obtained provides a reasonable basis for the conclusion based on the audit objective.

The audit period covered September 1, 2018 through August 31, 2019. To adequately address the audit objective and to describe the scope of work, IA performed the following:

- Reviewed the Kraft Second Amended Economic Development Agreement for compliance requirements.
- Obtained and reviewed the Certificate of Compliance certifying that the company employed at least 391 full-time employees through August 31, 2019.
- Reviewed prior audit documentation to determine appropriate criteria to use for full-time employment and hours worked.
- Obtained a list of employees from Kraft to evaluate the number of full-time employees during the audit period.
- Conducted data analysis to verify the number of full-time employees throughout the audit period.

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- Obtained and reviewed payroll and time card reports from Kraft to verify employment of the sample population.
 - Interviewed a sample of Kraft employees to ensure there were no fictitious employees.

To verify the reliability of the data provided by Kraft, IA reviewed documentation, interviewed the Finance Analyst, Supervisor and Team Coordinator of Kraft, compared payroll data with punch report details (clock in data), and met a sample of employees listed in the documentation. As a result of IA's review, IA believes the information provided by Kraft was sufficiently reliable for the purposes of this engagement.

Background

"The Kraft Heinz Company is the third-largest food and beverage company in North America and the fifth-largest food and beverage company in the world, with eight \$1 billion+ brands. A globally trusted producer of delicious foods, The Kraft Heinz Company provides high quality, great taste and nutrition for all eating occasions whether at home, in restaurants or on the go." ⁽¹⁾

In spring of 2015, the H.J. Heinz Co. purchased Kraft Foods, creating a company with an annual revenue of about \$28 billion, in a deal Warren Buffett stated would "unit[e] two world-class organizations and deliver shareholder value."⁽²⁾

"In June 2015, Kraft expanded the Lunchables production network to include four new Lunchables production lines that will bring an additional 400-500 jobs to Garland, Texas. With this expansion, production and electro-mechanical skills will be required of the current workers. Richland College-Garland campus designed a 380 hr. customized program to address skill sets to create a proficient production Line Technician program. In June 2015, the Garland plant began expanding to include four Lunchables production lines."⁽³⁾ As of 10/22/19, there are currently 8 lines in production.

Source:

1. KraftHeinz, <http://kraftheinzcompany.com/>
2. CBSDFW, <http://dfw.cbslocal.com/2015/03/25/heinz-buying-kraft-to-create-28-billion-food-giant/>
3. United States Conference of Mayors <http://www.uscmwdc.org/workforce-solutions-greater-dallas/>