



Kraft Retention Agreement Audit

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Authorization

We have conducted an audit of the Kraft Retention Agreement. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

Objective

Ensure compliance with the Kraft Retention Agreement regarding Kraft's employment of 230 full-time employees between September 1, 2009 and August 31, 2010.

Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This included compliance with directives, policies and procedures. Our audit period covered September 1, 2009 through August 31, 2010.

While we report to the Mayor and City Council and present the results of our work to the Audit Committee, we are located organizationally outside the staff or line management functions we are auditing. Therefore, this Audit organization may be considered free of organizational impairments to independence to audit internally and report objectively to those charged with governance.

To adequately address the audit objective, we:

1. Reviewed the Kraft Retention Agreement
2. Reviewed payroll records

Background

This audit was a management requested audit.

Kraft is the second largest food company with annual revenues of \$48 billion. Millions of times a day, in more than 160 countries, consumers reach for their favorite Kraft Food brands, and in the U.S., their products are present in more than 99 percent of households. Kraft proudly markets 11 brands with revenues exceeding \$1 billion, including: Kraft, Jacobs, LU, Maxwell House, Cadbury, Trident, Milka, Nabisco and its Oreo brand, Philadelphia, and Oscar Mayer. Approximately 70 brands have revenues greater than \$100 million. More than 40 of their brands are at least 100 years old. More than 80 percent of their revenues come from products that hold the No. 1 share position in their respective categories, and, more than 50 percent of their revenue is driven by categories where their market share is twice the size of the nearest competitor. They make a delicious difference by fighting hunger and supporting healthy lifestyles. Over the past 25 years, they have donated nearly a billion dollars in cash and food.¹

Overall Conclusion

We went to the Kraft Manufacturing Plant in Garland, Texas on October 28, 2010 to ensure that Kraft employed a total of 230 full-time employees in the period of September 1, 2009 through August 31, 2010.

Kraft had provided us with a list of full-time employees. The list contained 237 names. We were able to verify that a payroll record existed for every employee who was on the list and through sampling we were able to verify full-time status.

Our inspection of payroll records indicates Kraft was in compliance with the Economic Development Agreement for the period of September 1, 2009 through August, 31, 2010.

¹http://www.kraftfoodscompany.com/assets/pdf/kraft_foods_fact_sheet.pdf