

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

St. Louis County

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of St. Louis County

Background

The former County Executive, Steve Stenger, was indicted on April 25, 2019, and pleaded guilty on May 3, 2019 to three federal counts of honest services bribery/mail fraud in a pay-to-play scheme involving county procurement operations. On August 9, 2019, he was sentenced to 46 months in prison and fined \$250,000.

On May 10, 2019, Sheila Sweeney, the former Chief Executive Officer (CEO) of the St. Louis Economic Development Partnership (SLEDP) pleaded guilty in U.S. District Court to one count of misprision of a felony. On August 16, 2019, Sweeney was sentenced to probation and fined \$20,000.

On May 7, 2019, the County Council unanimously approved a resolution requesting the State Auditor perform an independent review of county operations. The State Auditor accepted the request on May 15, 2019.

Former County Executive Abused His Position

Several significant weaknesses in the county's charter and ordinances allowed the former County Executive to abuse his position to manipulate the procurement and contract award processes of the county. The former County Executive held contracts indefinitely prior to execution, resulting in the delay of projects, and the loss of federal funding and contractors. The former County Executive manipulated procurement procedures and processes, which gave him more influence over county procurement decisions. Due to a lack of oversight from the SLEDP Board, the former County Executive used his position to set the compensation for the former SLEDP CEO.

Inadequate County Council Oversight

A lack of adequate oversight by the County Council helped allow the former County Executive to take actions not in the best interests of the county. The County Council passed ordinances allowing the county to enter into a significant lease without reviewing the lease agreement, cost analysis, appraisals, and other supporting documentation. The County Council does not review all non-merit employees appointed by the County Executive, allowing the County Executive to shift approximately \$1 million per year in personnel expenses for executive employees to other county departments. The County Council has not fully utilized the office of the County Auditor and requested audits of concerns brought to the attention of the Council, and has not ensured the County Auditor has the appropriate qualifications.

Unauthorized Payments of SLEDP Funds

The former SLEDP CEO abused her position by overseeing large bonuses for herself and other administrators that were not authorized or approved by the Board. In addition, the former Chief Financial Officer (CFO) abused her position to provide herself with paid time off (PTO) hours without proper authorization or documented approval. The former SLEDP CEO and former CFO oversaw bonus payments totaling \$348,000 to SLEDP employees in 2016 and 2017. The former CFO instructed staff to add an additional 320 hours to her PTO balance without proper authorization or documented approval, and rolled over 100 percent of PTO hours in 2016 and 2017 to future periods, contrary to SLEDP policy, without approval.

SLEDP Board Oversight	The SLEDP Board provided limited oversight and monitoring of the former CEO and SLEDP organizational activities, and did not fulfill the function of the board to "fix the terms and conditions of such employment or contract for services," of the SLEDP CEO. The SLEDP paid bonuses to employees without sufficient Board oversight or approval. In addition, the SLEDP did not have procedures to evaluate and determine which employees earned bonuses and the amount of the bonus.
County Personnel Policies and Records Need Improvement	Policies and procedures regarding appointed employees need improvement. The county has poor controls in place for ensuring timesheets are signed and approved before appointed employees are paid. The county had not prepared job descriptions for 46 of the 60 appointed positions tested (77 percent) as of February 2020.
Best and Final Offers	The Procurement Division has not established a formal policy for the use of best and final offers.
SLEDP Procurement	SLEDP procurement procedures need improvement. Procurement documentation was not always retained and contracts may not have been adequately reviewed or evaluated prior to execution.

In the areas audited, the overall performance of this entity was **Poor**. *

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

To the Honorable Dr. Sam Page, County Executive
and
St. Louis County Council
and
St. Louis Economic Development Partnership Board
St. Louis County, Missouri

We have audited certain operations of the St. Louis County in fulfillment of our duties under Section 29.200.3, RSMo. The State Auditor initiated an audit of the St. Louis County in response to a formal request from the County Council. Our audit also included certain operations of the St. Louis Economic Development Partnership. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2019. The objectives of our audit were to:

1. Evaluate internal control over significant management and financial functions.
2. Evaluate compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions and procurement policies and procedures.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of St. Louis County.

Nicole R. Galloway, CPA
State Auditor

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St. Louis County Introduction

Background

The former County Executive, Steve Stenger, was elected to the County Council in November of 2008 and served on the County Council from 2009 through 2014. In November 2014, Steve Stenger was elected for a 4-year term as the St. Louis County Executive, took office in January 2015, and was reelected for a second term in November 2018. He was indicted on April 25, 2019 and pleaded guilty on May 3, 2019, to three federal counts of honest services bribery/mail fraud in a pay-to-play scheme involving county procurement operations. On August 9, 2019, he was sentenced to 46 months in prison and fined \$250,000.

As discussed throughout the report, the former County Executive abused his position and manipulated and circumvented procurement and contract policies and procedures as part of the pay-to-play scheme.

On May 10, 2019, Sheila Sweeney, the former Chief Executive Officer (CEO) of the St. Louis Economic Development Partnership (SLEDP) pleaded guilty in U.S. District Court to one count of misprision of a felony. Sheila Sweeney was appointed as interim CEO of the SLEDP on June 24, 2015 and became the CEO on or about August 2015. On January 3, 2019, prior to the federal indictment of Steve Stenger, the SLEDP Board of Directors replaced Sweeney with a new CEO. The federal indictment¹ of Steve Stenger states Sheila Sweeney worked at the direction of Steve Stenger to award contracts as directed by Stenger for the SLEDP, which is further discussed in MAR finding number 1.3. On August 16, 2019, Sweeney was sentenced to probation and fined \$20,000.

John Rallo, a local business owner, pleaded guilty to three felony counts of honest services bribery/mail fraud on July 16, 2019. According to his indictment,² John Rallo made:

political donations to Stenger throughout 2015, 2016, 2017, and in April, 2018, all with the understanding from Stenger that in exchange he would help Rallo and Cardinal Insurance get insurance contracts with St. Louis County and, ultimately, help Rallo get a consulting contract from the St. Louis County Port Authority. Stenger also helped Rallo and a group known as Wellston Holdings, LLC obtain land in Wellston, Missouri for development purposes. Rallo also held several fundraisers for Stenger where Rallo invited friends and associates who also made political donations to Stenger. During 2015, Stenger requested that Rallo become a member of Stenger's "Trustee" program, a group of

¹ Indictment, paragraphs 11, 18, 21-24, 26, 33-35, 38, *U.S. v Stenger*, 4:19-CR-312 CDP, (E.D. Mo.) (Stenger Indictment).

² Indictment, paragraph 14, *U.S. v Rallo*, 4:19-CR-367 ERW, (E.D. Mo.) (Rallo Indictment).



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individuals who agreed to donate \$2,500 to Stenger each quarter, for a total of \$10,000 per year. Rallo agreed to become a Trustee, and also recruited one other member of Wellston Holdings, LLC to become a Trustee. Together, Rallo and the other member of Wellston Holdings, LLC personally donated approximately \$50,000 to Stenger, and obtained additional political donations for Stenger through several fund raisers.

Rallo's activities are discussed in MAR finding number 1.3. On March 5, 2020, John Rallo was sentenced in federal court to 17 months in prison and 2 years of probation.

As part of their guilty pleas, Stenger, Sweeney, and Rallo were ordered to pay \$130,000 in restitution to the St. Louis County Port Authority.

On May 31, 2019, William Miller, Steve Stenger's Chief of Staff, pleaded guilty to a felony count of aiding and abetting honest services bribery/wire fraud. According to William Miller's indictment,³ Stenger directed Miller to contact Sheila Sweeney to ensure a lobbying firm, who was also a political contributor to Steve Stenger, was awarded a state lobbying services contract as discussed in MAR finding number 1.3. On September 6, 2019, William Miller was sentenced to 15 months in federal prison followed by 3 years of probation.

The County Executive is the chief executive officer of the county and is elected, in partisan elections, to 4-year terms. The County Council is the legislative body of the county. Its seven members are elected to 4-year staggered terms, by district, in partisan elections. The presiding officer of the County Council is the Chairman, who is selected from among the County Council members every calendar year. The county provides the full range of services contemplated by statute or charter. These include public safety, transportation services, community health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The SLEDP, formerly known as the St. Louis County Economic Council, was established November 19, 1984 with the purpose to engage in all such lawful activities as necessary to advance the social welfare, health, and economic interest of St. Louis County. On August 1, 2013, the Economic Council entered into an intergovernmental agreement with the County and the City of St. Louis to expand its operations to include both St. Louis County and St. Louis City, Missouri, and thereafter changed its name to SLEDP. The SLEDP

³ Indictment, paragraphs 15, 16, and 17, *U.S. v Miller*, 4:19-CR-416 RWS, (E.D. Mo.) (Miller Indictment).



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consists of up to 15 board members, 11 of which are appointed by the St. Louis County Executive.

Scope and Methodology

On May 7, 2019, the County Council unanimously approved resolution number 6448 requesting the State Auditor perform an independent review of county operations. The State Auditor accepted the request on May 15, 2019. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2019.

To gain an understanding of the personnel, procurement, contract, and lease controls and procedures, we held discussions with personnel from the St. Louis County and SLEDP, elected officials, and reviewed written policies and procedures. We obtained an understanding of the internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. In addition, we reviewed County Council meeting minutes and met with the County Auditor to obtain an understanding of actions taken.

In addition, to gain an understanding of legal provisions that are significant within the context of the audit objectives, we reviewed relevant sections of the county charter, ordinances, and statutes. We assessed the risk that fraud and violations of applicable contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instance of noncompliance significant to those provisions.

To evaluate whether personnel, procurement, contract, and lease procedures are compliant in accordance with county, SLEDP, and statutory requirements, we judgmentally selected and tested 104 personnel records for appointed employees from the county, and 30 and 23 procurement solicitations from the county and SLEDP respectively. In addition, we reviewed bonus payments and paid time off records for the SLEDP.

To evaluate the economy and efficiency of certain management practices and procedures, we gained an understanding of procurement processes including competitive bidding, vendor selection, and contract execution for the county and SLEDP. In addition, we reviewed payroll and human resources procedures including payroll for appointed positions for the county, budgeting of appointed positions for the county, hiring practices for appointed positions for the county, paid time off procedures for the SLEDP, bonus procedures for the SLEDP, performance appraisals procedures for the SLEDP, and hiring practices for the SLEDP. Also, we reviewed the procedures for handling the purchase, sale, or transfer of real estate for the SLEDP. We also reviewed the leasing procedures, the County Council's approval of leasing procedures for the county, and the County Council's use of the County Auditor. We based our evaluation on state law, the St. Louis County Charter and ordinance, Governmental Auditing Standards, accepted Institute of Internal Auditor standards, and The National Association of State Procurement Officials best practices.

St. Louis County Management Advisory Report State Auditor's Findings

1. Former County Executive Abused His Position

Several significant weaknesses in the county's charter and ordinances allowed the former County Executive to abuse his position to manipulate the procurement and contract award processes of the county. The County Charter allows the County Executive to delay contracts indefinitely and ordinances regarding procurement procedures provided the former County Executive the ability to manipulate those procedures. The former County Executive also abused his position to influence the former SLEDP CEO to manipulate various contracts and land development deals. In addition, the County Council did not provide adequate oversight of the former County Executive, which allowed these abuses to continue.

1.1 Contracts held

The former County Executive held contracts indefinitely prior to execution, resulting in the delay of projects, and the loss of federal funding and contractors. In addition, the former County Executive held contracts prior to the County Council's review and delayed renewals. The county has not established a procedure to prevent the County Executive from holding contracts indefinitely.

We identified the following concerns:

- The former County Executive held 13 of 21 contracts tested (62 percent) for more than 14 days prior to signing. He held 4 contracts for more than 100 days, with the longest held for 260 days. He held these 13 contracts for an average of 81 days. A list of the contracts and the length of time the former County Executive held them is included at Appendix E.
- The county lost federal funding due to the former County Executive holding a contract. On March 24, 2015, the County Council approved a federally funded sidewalk project and later received a bid of \$164,000 for construction. According to a Missouri Department of Transportation (MoDOT) official, this project would provide a pedestrian route to Larimore Elementary School. The project was subsequently canceled by the Department of Public Works on January 22, 2016, because the former County Executive refused to sign the contract for more than 9 months. Email messages between the that department, the County Counselor's Office and the former County Executive's office show department officials attempted to save the project. The messages also showed MoDOT had approved the contractor and the county did not provide adequate justification to the MoDOT to cancel and rebid the project. In addition, the contractor had to hold a bond for the project during the time the former County Executive refused to sign the contract, despite it being approved by the County Council. The contract was not rebid and the county did not start the project.
- The former County Executive held a road construction contract approved by the County Council on May 10, 2016, for more than 5 months before



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the project was canceled. According to a letter from Department of Public Works personnel to the former County Executive, this contract was for the milling and resurfacing of Hildesheim Avenue and South Broadway Street. On November 1, 2016, the attorney for the contractor contacted the former County Executive's office to inquire why the project had not been authorized to proceed and stated, "the unnecessary delays on this Project have increased its costs and have made it difficult for the Project to be completed within the time designated in the contract." On December 20, 2016, the attorney for the contractor brought the delay to the County Council's attention at the County Council meeting during the public forum. Based on the meeting minutes, the attorney stated, his "client was notified it was the low bidder, was issued a contract it signed and returned, attended a pre-construction conference, and mobilized and was prepared to do the work upon receipt of a notice to proceed." In addition, the attorney informed the County Council of the contractor's efforts to communicate with the former County Executive and the Department of Public Works. The attorney told us 2 weeks after that meeting, the contractor received an envelope from St. Louis County returning the bond and the unsigned contract, indicating the contract was canceled without any stated explanation.

- The former County Executive held requests to approve a selected contractor from the County Council. Projects solicited using the county's request for proposal (RFP) process and some transportation projects solicited using the invitation for bid (IFB) process, must pass through the County Executive's office prior to going to the County Council to enact legislation to award the contract. This process provides the County Executive another opportunity to hold contracts. For example, for 2 of 9 RFPs tested, the Department of Public Works sent the request to the former County Executive, however, he did not send the request to the County Council. One of these contracts was held for approximately 9 months and the other never officially canceled.

For the contract held 9 months, Department of Public Works personnel indicated a request for the department's selected contractor was sent to the former County Executive's office on April 13, 2018. Department personnel could not locate any documentation of the cancelation and indicated the request must have been canceled verbally. This project was eventually rebid as an IFB.

For the contract never officially canceled, Department of Public Works personnel indicated the request for the department's selected contractor was sent to the former County Executive's office on November 16, 2017, however, this project was never executed.



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Department personnel did not know why these projects were held up, and we identified no reasons explaining the cancellations.

Conclusion

The ability of the County Executive to unilaterally hold and fail to execute contracts that had been properly procured resulted in a loss of funding from outside sources, delayed completion of approved projects, and the loss of the contractors selected by bid or proposal. Allowing the County Executive to unilaterally cancel a contract by inaction also results in a loss in transparency of the procurement and contracting process because it is not always clear why contracts are being held, and there is no requirement the County Executive disclose which contracts are being held or why. Allowing the County Executive to unilaterally undo the county procurement process serves no legitimate purpose.

Requiring the County Executive to make his objections to contracts known to the Council, or allowing the Council to execute contracts without the executive's signature would help prevent unnecessary delays, help ensure outside funding for projects is not lost, and would improve transparency of the procurement and contracting process.

1.2 Procedures manipulated

The former County Executive manipulated procurement procedures and processes, which gave him more influence over county procurement decisions.

Selection committee
ordinances were abused

County personnel from the Procurement Division and the Department of Public Works indicated the former County Executive manipulated the contractor selection process by adding employees from the former County Executive's staff to selection committees for RFPs. The ordinances for the RFP process did not specify who should be on the selection committees, which allowed the former County Executive to add people from his office to the selection committees so that he could control who was awarded contracts. For example, for 2 of the 9 RFPs tested, 50 percent or more of the selection committee was comprised of employees in positions appointed by the County Executive.

Four of the six members of one selection committee for one project were in appointed positions, with three members being from the former County Executive's office. Department of Public Works officials indicated when the selection committee met to discuss proposal scores, the three members of the selection committee from the former County Executive's office did not score the proposals prior to the meeting, but instead waited until the other three members presented their scores before scoring the proposals. Procurement meeting minutes provided by the Department of Public Works show these three employees left the room twice to discuss the selection and submitted scoring sheets, which resulted in the selection of the contractor preferred by the former County Executive's office, according to county personnel. In



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addition, the other appointed employ (the former Director of the Children's Service Fund) scored the contractors similarly to these employees. None of these 4 employees had prior public works experience.

In addition, five of eight members of another selection committee were in appointed positions, with three of the members being from the former County Executive's office.

The County Council has taken action to address the weakness in the county ordinance that allowed the former County Executive to take advantage of the selection committee process. In November 2018, Chapter 107.132 of the county's ordinances was updated to require the selection committee be made up of three or more subject experts and to require the Procurement Director to certify the RFP process was followed. Additionally, on May 15, 2018, the county updated 110.040 section of the county's ordinances to require the County Counselor's office receive approval for any contract over \$10,000 relating to the County Counselor or for services to be provided to the office of the County Counselor.

Lease procurement
procedures circumvented

County personnel indicated the normal procedures for leasing were circumvented by the former County Executive for the Northwest Crossing lease. This lease involved relocating several county offices. See Management Advisory Report (MAR) finding number 2.1 for more detail on this lease. The former Department of Public Works Director refused to sign the Northwest Crossing leases but they were instead signed by the Chief of Operations, who reports to the County Executive. Section 4.310 of the County Charter states the Director of Public Works is responsible for any "acquisition, by purchase or otherwise, of any interest in real property, except as otherwise provided by this charter or by ordinance." County standard operating procedure for new leases states, "the Director of Public Works initials a decision memo requesting the lease agreement be signed and signs a minimum of four copies of the Lease document, with a copy of the authorizing ordinance attached."

County personnel indicated instead of having the county's Department of Public Works facilitate the leases for Northwest Crossing, the former County Executive assigned his former campaign manager to facilitate the leases. In addition, the former Director of the Department of Public Works noted his department was not as involved with the Northwest Crossings leases as the department typically is and he could not recall being included in any conversations considering the leases.

The former Director of the Department of Public Works indicated the department would typically be involved in all of the lease analyses, because it has more experience with leases and handles them more frequently. He indicated the County Counselor's office was aware that his department was



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	<p>being circumvented and the County Counselor's office reviewed the lease prior to his department receiving it.</p>
<p>Contributions from developers</p>	<p>The former County Executive received \$237,500 in campaign contributions from the developers of Northwest Crossings project in the timeframe prior to and after the signing of the Northwest Crossings lease. Contributions of this nature give the appearance of a significant conflict of interest.</p> <p>In response to public concerns over the appearance of these conflicts, the county's charter was updated by a general election to include Section 12.020 which states, "No candidate committee for a person who is a candidate for an elective office authorized by this Charter shall accept a campaign contribution from any person who, or entity that is competing or submitting an application for any St. Louis County contract beginning ninety (90) days before any solicitation or request for proposals issued and ending ninety (90) days after the corresponding contract has been awarded."</p>
<p>Request for proposals process abused</p>	<p>Ordinances guiding the IFB and RFP procurement processes did not clearly define when each process should be used. Under the IFB process, the lowest responsive bidder is selected, while the RFP process allows for more subjectivity so that the winning bidder is not necessarily the lowest. According to county personnel in the Procurement Division and the Department of Public Works, the former County Executive took advantage of these ordinances not clearly defining which projects should go through which process and required several projects previously bid using the IFB process to be solicited using the RFP process. This allowed the former County Executive to avoid the requirement to select the lowest bidder and may have led to higher procurement costs.</p> <p>In October 2018, Section 107.132 of the St. Louis County Ordinances was updated to specifically outline when a RFP can be used for procurement. In addition, since the changes in October 2018, RFPs over \$100,000 are required to be approved by the County Council prior to solicitation. A policy was also added by the Procurement Division after the October 2018 revision, requiring departments to submit a form for approval prior to solicitation by RFP. Also, the Director of Procurement must certify that the RFP process was followed. After these changes went into effect, we noted several instances where a contract was procured as an RFP during the Stenger administration, but was subsequently procured using the IFB process.</p>
<p>Insufficient oversight from the County Council</p>	<p>The County Council did not provide sufficient oversight of the former County Executive's operations. The Council allowed procedures to be circumvented and did not use the County Auditor to investigate issues brought to its attention. See MAR finding number 2 for additional information.</p>



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Conclusion	Effective procurement processes help ensure the county is getting the best product or service for the best price. The county has made improvements to the selection committee and procurement ordinances to help ensure the integrity of the county's procurement processes going forward.
1.3 Manipulation of the SLEDP Chief Executive Officer	Due to a lack of oversight from the SLEDP Board (discussed in detail at MAR finding number 4), the former County Executive used his position to set the compensation for the former SLEDP CEO. Based on information publicly obtained, ⁴ her annual compensation package was approximately \$131,000, or 45 percent, greater than the compensation package of the CEO prior to her (see table 4 in MAR finding number 4 for additional information). The federal indictment ⁵ of Steve Stenger states Sheila Sweeney worked at the direction of Steve Stenger to award contracts as directed by Stenger for the SLEDP.
SLEDP procurement process manipulated	<p>The former CEO of the SLEDP colluded with the former County Executive to assist certain contractors in winning SLEDP contracts, improperly increased a contract amount, and executed contracts on real estate without obtaining appraisals.</p> <p>A test of 23 judgmentally selected contracts, identified 5 contracts with the following concerns:</p>
Cardinal Creative	<p>In April 2016, the former County Executive directed the former CEO to improperly coordinate with John Rallo,⁶ principal of Cardinal Creative Consulting, to ensure his proposal to provide professional services as a media consultant was selected by the St. Louis County Port Authority. While Cardinal Creative Consulting's initial proposal was submitted for \$100,000, and was the most expensive of the 2 firms considered responsive, it was approved by the Board. The Port Authority contracted with the firm for \$130,000.</p> <p>The federal indictment⁷ states Sweeney had several discussions with Rallo concerning the proper wording of the Port Authority's RFP, and Sweeney also reviewed and recommended revisions to Cardinal Creative's responsive bid to the RFP. Sweeney recommended and urged the Port Authority Board to approve Cardinal Creative's bid as the winning bid, and the Board followed</p>

⁴ ProPublica, St. Louis Economic Development Partnership Tax Filings and Audits by Year, is available at < <https://projects.propublica.org/nonprofits/organizations/431361364>>, accessed on October 19, 2019.

⁵ Indictment, paragraphs 11, 18, 21-24, 26, 33-35, 38, *U.S. v Stenger*, 4:19-CR-312 CDP, (E.D. Mo.) (Stenger Indictment).

⁶ Indictment, paragraph 21, *U.S. v Stenger*, 4:19-CR-312 CDP, (E.D. Mo.) (Stenger Indictment).

⁷ Stenger Indictment paragraph 21.



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Sweeney's recommendation and approved Cardinal Creative's consulting contract. According to the federal indictment, the former County Executive directed the former CEO to increase the award amount by \$30,000, without Board approval, and instructed Rallo to pay the additional amount to a "close associate of a public official who had helped Stenger get out the vote in the November 2014 County Executive election."⁸ In addition, the indictment⁹ states Rallo understood from Sweeney the other individual "would not do any actual work under the consulting contract, but needed to be paid the \$30,000."

As a result of the former CEO's abuse of her position, the Port Authority entered into a contract not in the best interest of the organization or the county, but as indicated in the indictment,¹⁰ was for a political payoff. As a result of her actions, the former CEO pleaded guilty to one count of misprision of a felony for covering up and participating in the former County Executive's criminal activity.

Wellston Holdings

At the direction of the former County Executive, the former CEO assisted Wellston Holdings, LLC in submitting a winning proposal for two parcels of vacant real estate located in Wellston, Missouri in 2016. The land sale was made by the Land Clearance Redevelopment Authority (LCRA). As documented in the felony indictment¹¹ against the former County Executive, Wellston Holdings, LLC was formed by John Rallo and his partners for the sole purpose of purchasing and developing the properties. Wellston Holdings, LLC paid \$272,213 and \$288,395 for 2 parcels of land, located at 1335 Ogden Avenue (parcel 1) and 6440 Page Avenue (parcel 2), respectively.

The county spent approximately \$10 million, according to a SLEDP official, clearing, grading, and preparing the properties. However, the former CEO set the minimum bid prices in the RFPs at "must exceed" \$255,499 and \$250,000, for the properties at parcel 1 and parcel 2 respectively. Appraisals were not performed or obtained for either parcels prior to the sales, although the SLEDP had an individual on staff who was a licensed real estate appraiser and obtaining an appraisal for LCRA properties is required by state law.¹² To date, no appraisal of these properties has been finalized or made public, however, according to a SLEDP official, preliminary appraisals have estimated the value of these properties at significantly more than the sales price paid by Wellston Holdings, LLC.

⁸ Stenger Indictment paragraph 21.

⁹ Stenger Indictment paragraph 22.

¹⁰ Rallo Indictment paragraph 22.

¹¹ Stenger Indictment paragraph 26.

¹² Section 99.450.1, RSMo.



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The former CEO anticipated Wellston Holdings, LLC would be the sole bidder. However, when another bid was received on parcel 1 the former CEO advised Rallo to increase his bid on the property from \$256,000 to \$275,000 in order to ensure Wellston Holdings, LLC was the highest bidder.¹³

For the property at parcel 2, the federal indictment¹⁴ states, "Sweeney reviewed Rallo's group's bid response to the RFP, and directed Rallo to make certain revisions and edits before submitting their final bid." Wellston Holdings, LLC's formal bid for the property at parcel 2 was submitted after the deadline for responses to the RFP, however, the former CEO directed SLEDP staff to accept the late proposal.

As a result of the intervention by the former County Executive and the former CEO, the SLEDP has no assurance the sale of the parcels in question resulted in the highest purchase price, or was in the best interests of taxpayers.

The LCRA Board of Commissioners eventually rejected the two proposals for redevelopment from Wellston Holdings LLC because the proposals did not meet the terms of the redevelopment covenants (a condition of the purchase). The 2-year window for Wellston Holdings LLC to substantially complete redevelopment expired in 2019, after which the LCRA exercised its rights to repurchase the properties. The properties are currently owned by the LCRA and are awaiting redevelopment.

Less than arm's length
transaction

On July 27, 2017, the County Port Authority executed a purchase and sale agreement for two properties located at 7100 and 7120 N. Market Street in a less than arm's length transaction. The original RFP closed September 26, 2016 with Developer 1 paying \$325,000 for both properties.

In an email dated July 8, 2016, two months prior to the RFP process, an email from the former SLEDP CEO to Developer 1 states:

I went over the project with the County Exec yesterday and he is excited as well. I know you will deliver a great building that Wellston can be proud of and also will be the catalyst to a real change that community deserves.

In addition, SLEDP staff prepared and submitted a federal Economic Development Agency (EDA) grant application on August 31, 2016, and SLEDP staff provided a letter of support for the development dated August 27, 2016. This action seems to indicate the SLEDP was considering and actively facilitating the project of Developer 1 before a formal bid or proposal

¹³ Stenger Indictment paragraph 26.

¹⁴ Stenger Indictment paragraph 26.



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had been submitted. In addition, appraisals were not performed or obtained for the properties prior to the sales, even though the SLEDP had an individual on staff who was a licensed real estate appraiser.

Based on this information, this land sale was not an arm's length transaction. Due to abuse of the procurement process, the SLEDP has no assurance this transaction resulted in the highest purchase price, or was in the best interests of taxpayers.

Lobbying services contract

The former County Executive, and his Chief of Staff, who was also appointed to the SLEDP Board by the former County Executive, directed the former SLEDP CEO to award a state lobbying services contract to a particular lobbying firm for \$149,000 in December 2018.¹⁵ The former County Executive's federal indictment¹⁶ states, "When Stenger learned that the SLEDP lobbying contract was going out for bids, he directed his top staff members to contact Sheila Sweeney to insure that Company One was awarded the contract." Our review of the RFP documentation noted another vendor had submitted a proposal for a \$60,000 retainer. In addition, our review of Missouri Ethics Commission reports identified this lobbying firm contributed \$17,750 between June 2015 and December 2016 to Citizens for Stenger, a political committee for the former County Executive's campaign.

Although supporting documentation indicates the selection was based on current qualifications and past experience of delivering quality work on prior contracts, due to the former County Executive's involvement in the procurement, and with his appearance of conflicts of interest, the SLEDP has no assurance this contract was in the best interest of the organization or taxpayers. This state lobbying services contract was rebid by the SLEDP and a new lobbying firm selected on December 11, 2019.

Insufficient oversight from
the SLEDP Board

The SLEDP Board did not provide sufficient oversight of the former CEO's activities. The board did not adequately oversee the selection of the CEO or the compensation paid to the CEO. See MAR finding number 4 for additional information.

The CEO has a fiduciary responsibility to the taxpayers of St. Louis County and to ensure complete transparency for all business transactions of the SLEDP. The Articles of Incorporation for the SLEDP state a purpose for which the SLEDP was organized is, "to advance the social welfare, health, and economic interest of St. Louis County and St. Louis City, Missouri, and their residents." Ensuring RFP policies are followed and obtaining real estate

¹⁵ Stenger Indictment paragraphs 33, 34, and 35, and Miller Indictment paragraphs 15 and 16

¹⁶ Stenger Indictment paragraph 33.



appraisals prior to the sale of SLEDP properties would provide additional assurance a reasonable price is received.

Recommendations

- 1.1 The County Council consider enacting legislation requiring the County Executive to timely make any objections to contract awards known to the Council and allowing the Council to execute contracts after a certain period of inaction by the County Executive.
- 1.2 The County Council continue to ensure future evaluation committees are independent and free of potential conflicts of interest before awarding contracts.
- 1.3 The SLEDP Board ensure the contracting process is competitive and transparent, and appraisals are obtained for all real estate transactions.

Auditee's Response

The county's written response to MAR finding numbers 1.1 and 1.2 is included at Appendix F, and the SLEDP's written response to MAR finding number 1.3 is at Appendix G.

2. Inadequate County Council Oversight

A lack of adequate oversight by the County Council helped allow the former County Executive to take actions not in the best interests of the county. The County Council did not perform sufficient due diligence over lease agreements, did not provide oversight of employees appointed by the County Executive, and did not ensure the county's internal audit capabilities were operating effectively. As a result, (1) the county has committed to a 20 year lease that is expected to cost approximately \$67 million¹⁷ over the lease term, (2) the county exchanged ownership of undeveloped real estate appraised for \$1,370,000 for undeveloped real estate appraised for \$560,000, (3) the County Executive's Office has shifted approximately \$3.78 million in personnel costs from that office to other departments from 2017 through 2019, and (4) the County Auditor position has not been effective in providing oversight of county operations.

2.1 Lease oversight

The County Council passed ordinances allowing the county to enter into a significant lease without reviewing the lease agreement, cost analysis, appraisals, and other supporting documentation. The County Council allowed established procedures to be circumvented without being questioned, and did not request appropriate analysis prior to passing the ordinance. Also, the County Council approved a lease agreement allowing the former County Executive to exchange property of unequal value.

¹⁷ Dollar amount provided by county personnel.



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Northwest Crossings

On July 12, 2016, the County Council passed an ordinance allowing the county to enter into the Northwest Crossings office space leases at a cost of approximately \$67 million over a 20-year period without sufficient review and oversight. The Council did not review lease documents or a cost analysis prepared by the Department of Public Works prior to passing the ordinance. In addition, some County Council members expressed public reservations about the lease, and citizens expressed in open forum concern regarding (1) developer contributions to then County Executive Steve Stenger, (2) the seemingly high cost of the new lease proposal, and (3) the departure from the standard process.

The former Director of the Department of Public Works told us the County Council did not ask him or his department any questions about the Northwest Crossings lease. He stated he did not sign the leases with the Northwest Crossings landlords because they were bad leases which exposed the county to significant risk. The leases did not allow the county an option to terminate and were "triple net," which made the county responsible for insurance, maintenance, and taxes on the property. The former director stated he had never seen another lease which favored the owner's side so heavily. In addition, he noted the county may have been better off purchasing property rather than entering into a lease agreement for Northwest Crossings. These comments are substantiated by the department cost analysis done prior to the Northwest Crossings lease being approved.

County Council comments from the meeting minutes from the July 12, 2016 meeting reflect the Council's awareness of the issues surrounding the procurement of the lease. However, the County Council approved the leases based on the potential cost savings the lease would generate. However, the Council was never provided with a market survey or analysis to support the costs savings, but rather, was relying on the existence of a market survey the former County Counselor had told them existed.

During Ethics Committee Hearings in 2018, the committee concluded "the (former) County Executive falsely claimed that there was competitive bidding for the (Northwest Crossings) leases and that the County obtained an opinion from an outside financial advisor concerning the leases," and, "the (former) County Executive and his staff falsely claimed that the (Northwest Crossings) leases would save the County money and misled the County Council concerning how much the County's leases would cost."

A County Council member told us the Northwest Crossings leases were not reviewed and a cost analysis was not provided to the council at the time the leases were approved. The member stated in general, leases are not reviewed by the County Council because that would make the leases public information. However, Section 610.021(2), RSMo, allows the county to close meetings, records, and votes relating to the "leasing, purchase or sale of real



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estate by a public governmental body where public knowledge of the transaction might adversely affect the legal consideration therefor."

Land exchange

On January 26, 2016, the County Council passed an ordinance allowing the former County Executive to execute a lease agreement with Developer 2. The agreement included an article authorizing the former County Executive to trade ownership of 60.94 acres owned by the county for 15 acres owned by Developer 2, without further review from the County Council.

On November 2, 2018, the former County Executive executed the land exchange. The County Parks Department did not obtain an appraisal of either property prior to the execution of the exchange. Based on concerns regarding conflicts of interest the properties were appraised on June 21, 2019. The appraisals valued the 60.94 acres formerly owned by the county at \$1,370,000, and the 15 acres currently owned by the county at \$560,000. Parks Department personnel indicated the department did not have plans for the property received in the exchange at the time of the lease and still has no plans for it. The property the county traded has not been developed. The necessity of including the exchange of these properties clearly of unequal value in the lease agreement is unclear.

On June 12, 2018, the Ethics Committee recommended the County Council amend the purchasing code to require a detailed cost analysis and a final draft lease. County personnel indicated as of May 22, 2020, no changes have been made to the County Charter or ordinances that specify what is required to be provided to the County Council for lease approvals. Additional recommendations made by the committee that have been implemented included ballot measures to adopt campaign finance restrictions and amend the County Charter to prohibit the County Executive from presenting spending proposals within a false budget plan. In November 2018, voters approved amendments to the County Charter Sections 8.050, 12.010 and 12.020 to restrict campaign contributions and prevent the County Executive from deceptive budget practices.

Citizens have placed a fiduciary trust in their elected officials to spend county money in a transparent, prudent, and necessary manner. Under Section 2.180 of the County Charter, the County Council is given the power by ordinance to "...rent or lease other property for county use." In the case of the land swap described above, the Council delegated its authority to the County Executive without adequate oversight.

2.2 Appointed employees

The County Council does not review all non-merit employees appointed by the County Executive, allowing the County Executive to shift approximately \$1 million per year in personnel expenses for executive employees to other County departments. This activity was not exclusive to the Stenger administration, however, we did not perform any analysis of this issue for



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years prior to 2017. County personnel indicated this practice has been in place for at least the last 20 years. In addition, the County Executive sets the rate of pay for each of these positions. The County Council does not review these positions and does not take advantage of its power to set the rate of pay for these positions. The salary for some of the appointed employees are charged to other departments even though these employees work for the County Executive. As a result, the County Executive is able to hire staff, in addition to his budgeted staff, at a salary of his choice, and charge the appointed staffs' salaries to other departments.

Table 1 summarizes the employees appointed by the County Executive excluding director positions approved by the County Council.

Table 1: Appointed employees with salary by calendar year

	2017	2018	2019	Total
Appointed Employees	21	25	21	
Total Annualized Salaries ¹	\$ 1,845,792	2,239,534	1,710,614	5,795,940
Appointed Employees Paid by Other Departments While Working within the County Executive's Office	11	13	12	
Total Annualized Salaries ¹ for Employees Paid by Other Departments Working within the County Executive's Office	\$ 995,031	1,368,912	1,012,502	3,776,445

¹ Annualized salaries may not reflect the actual amounts paid to employees.

Source: Number of employees and salaries were obtained from the Division of Performance Management and Budget.

Examples of appointed positions working in the County Executive's Office whose salaries were paid by other department's budgets include:

- Special Assistant to the County Executive (Planning Department)
- Chief of Staff (Department of Revenue)
- Policy Advisor (Public Health Department)

A complete listing of these employees is documented at Appendixes A, B, and C.

Section 2.180.1 of the county's charter gives the County Council the power to "set the compensation of members of boards and commissions and of all county officers and employees not under the merit system, whether or not the this charter fixes any such compensation." In addition, the county's budget does not present the public with a transparent representation of the County Executive's staffing when positions reporting to the County Executive are paid from a different department's budget.



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2.3 County Auditor

The County Council has not fully used the office of the County Auditor and requested audits of concerns brought to the attention of the Council. The county's charter requirements for the County Auditor's qualifications do not ensure the County Auditor will possess the knowledge, skills, and other competencies to ensure the position is adequately staffed and allowed the County Auditor to hire personnel without any auditing experience. In addition, the County Auditor is not in compliance with government and internal auditing standards.

County Auditor not being utilized to provide oversight

The County Council is not using the County Auditor to investigate concerns that are brought to the attention of the Council. In addition, the County Auditor has been unable to complete audits planned.

The County Auditor and a County Council member indicated the County Council has not requested specific audits and did not request any investigations or audits concerning the former County Executive.

The County Auditor also has been unable to perform the audits documented in his annual audit plan. In the 2018 audit plan, nine areas were listed as new areas to audit in 2018. During calendar year 2018, only three of the nine areas were audited. In addition, during calendar year 2019, the County Auditor issued at most 2 audits.¹⁸ The County Auditor stated staffing limitations resulted in the low number of audits being released. The office hired an Auditor Advisor in the first quarter of 2018 and an Audit Manager in the first quarter of 2019. For comparison purposes, during calendar year 2019, the St. Charles County Auditor issued 8 audits while the personnel budget for the St. Charles County Auditor was approximately \$125,000 less than the personnel budget for the St. Louis County Auditor.

Section 2.210.4 of the county's charter states the county auditor shall have the power to, "make such other investigations and reports in relation to fiscal matters as shall be directed by the council." In addition, best practices from the Institute of Internal Auditors (IIA) indicate Internal Auditors can help an audit committee, such as the County Council, evaluate various policies and practices by observing accounting decisions, policies, and any complex or unusual events, transactions, and operations.

Section 2030 of the IIA Code of Ethics and Standards (IIA Standards) states, "The chief audit executive must ensure that internal audit resources are

¹⁸ We accessed the St. Louis County Auditor's website on March 2, 2020, which indicated two reports were issued during 2019. However, we accessed the website again on July 31, 2020, and the website did not list any reports were issued during 2019. We requested the County Auditor to confirm how many reports were issued during 2019 and to provide supporting documentation. The County Auditor could not confirm how many reports were issued during that year.



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appropriate, sufficient, and effectively deployed to achieve the approved plan." Internal Auditors can be invaluable resource to the County Council in its oversight role for financial completeness, accuracy, and disclosure. A properly functioning internal audit department could have helped in discovering and resolving several of the areas commented on in this report including procurement and personnel areas.

Inadequate qualifications

None of the 3 employees working in the County Auditor's office had auditing experience prior to being appointed or hired. St. Louis County's charter Section 2.200 states, "The council shall appoint a county auditor. The auditor shall have had at least five years' experience in accounting and shall possess such further qualifications as may be provided by ordinance." However, the "five years' experience in accounting" requirement is vague and does not ensure adequate experience in public accounting or auditing. In contrast, the St. Charles County Auditor is required to "have the equivalent of a bachelor degree in accounting or have experience as a County Auditor." In addition, based on public comments made by a Council member in 2017,¹⁹ the Council is aware the current qualifications are vague. However, the County Council has not passed any ordinances to strengthen the required qualifications for the County Auditor as allowed by the County Charter.²⁰

The County Auditor's qualifications include experience as a legislative liaison, lobbyist related to legislative issues, account manager, account representative, and district sales manager as well as a Bachelor's in Business Administration. The County Auditor appointed an attorney as an advisor rather than hiring an employee with auditing experience. In addition, the County Auditor recently hired an Audit Manager with an Associate's Degree in Accounting and a Masters of Business Administration, who worked in the county's Fiscal Management department since November 2014. The County Auditor indicated the Audit Manager's expertise is working with the county's accounting system. The County Auditor has no other staff.

Section 1210 of the IIA standards state, "Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competency's needed to perform its responsibilities." In addition, best practices from the IIA also indicate the County Council should ensure the internal audit activity is sufficiently resourced with competent, objective internal audit professionals to carry out the internal audit plan.

¹⁹ This comment appeared in the Call Newspapers article titled *County auditor's credentials being investigated by Krane*, published March 15, 2017.

²⁰ Section 2.200 of the St. Louis County Charter allows additional qualifications to be imposed by ordinance.



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Auditing standards

Despite the County Auditor indicating on his office website, in audit reports, and in discussions with us that his office conducted audits in accordance with IIA standards, and with Government Auditing Standards issued by the Comptroller General of the United States (Yellow Book), the office has not complied with these standards.²¹ Areas not complied with include lack of an office peer review on a periodic basis and staff not meeting the continuing professional education requirements of the Yellow Book. Also, the office is not in compliance with the risk assessment, audit planning, and quality assurance or the external assessment requirements of the IIA standards.

Indicating adherence with applicable auditing standards suggests a certain level of competence, quality, integrity, objectivity, and independence in the audit work presented. Ensuring compliance with some level of audit standards would provide some assurance to policy makers and the public of the accuracy and reliability of the audit work produced.

Conclusion

Improved oversight from the County Council and the County Auditor would have helped identify some portion of the inappropriate and criminal actions of the former County Executive. The Council has a duty to the taxpayers of St. Louis to ensure oversight of the County Executive and the administration.

Recommendations

The County Council:

- 2.1 Ensure lease agreements are sufficiently reviewed and the County Charter requirements are followed.
- 2.2 Provide adequate oversight for all appointed positions and the compensation of non-merit employees. In addition, ensure all appointed positions working for the County Executive are included in the County Executive's budget to ensure transparency to the public.
- 2.3 Review and update the requirements for the County Auditor position and staffing. Ensure the County Council is fully utilizing the County Auditor to identify and review ineffective or inefficient operations and ensure established policies are followed. In addition, clarify which standards, if any, the County Auditor is to follow.

Auditee's Response

The county's written response is included at Appendix F.

²¹ Our audit was not designed to identify instances of non-compliance with auditing standards. These violations were identified during interviews that were designed to obtain an understanding of the St. Louis County Auditor duties and practices.



Auditor's Comment

The County Council's response letter states the audit is based on the "inaccurate premise" the county is Council-managed, and states the County Charter gives the Council "limited oversight power." However, Article II of the County Charter gives the County Council broad authority to oversee the county. *E.g.*, Section 2.180 (conferring the powers vested in the Council). In addition, the remainder of the County Council's response details actions the Council has already taken, or will take, to improve county operations and oversight.

The response to MAR finding number 2.1 makes mention of false information provided to the Council regarding the land swap deal discussed in the report. However, no information regarding this allegation has been presented. The existence of such false information was not mentioned to auditors during fieldwork, or during the report exit process despite requests for any information relevant to this transaction. Therefore, the information referenced has not been assessed or verified.

3. Unauthorized Payments of SLEDP Funds

The former SLEDP CEO (Sheila Sweeney) abused her position by overseeing large bonuses for herself and other administrators that were not authorized or approved by the Board. In addition, the former Chief Financial Officer (CFO) abused her position to provide herself with paid time off (PTO) hours without proper authorization or documented approval.

3.1 Bonuses paid without Board authorization or approval, policies, or procedures

The former SLEDP CEO and former CFO oversaw bonus payments totaling \$348,000 to SLEDP administrators in 2016 and 2017. These bonuses were paid without an official policy, board authorization or approval, supporting documentation, or an established process to determine eligible employees.

In 2016 and 2017, the SLEDP paid bonuses to 15 employees totaling \$160,500, and 16 employees totaling \$187,500, respectively. The bonus totals included \$80,000 paid to the former CEO each year in 2016 and 2017. Since no employment contracts or compensation packages were formally documented, it is unclear who decided what bonus amounts were to be paid. It is also unclear what, if any, performance criteria were used to determine who was eligible for such bonuses. SLEDP staff could not locate approval or supporting documentation for the bonuses paid. Also, no record of formal Board approval could be located. The then Board Chairman stated he only vaguely recalled hearing about the CEO receiving a bonus, but did not consider it a formal SLEDP Board discussion or approval.

Table 2 lists the bonuses paid in 2016 and 2017 to SLEDP employees which were greater than \$10,000.



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Table 2: 2016 and 2017 bonuses paid greater than \$10,000

Title	Annual Salary	2016 Bonus Paid	2016 Bonus		2017 Bonus	
			Percent of Annual Salary	2017 Bonus Paid	Percent of Annual Salary	
CEO	\$ 260,000	\$ 80,000	31	\$ 80,000	31	
CFO	187,460	30,000	16	35,000	19	
Vice President of Administration	NA	NA	NA	15,000	13	
		\$ 120,000		\$ 130,000		

Source: St. Louis Economic Development Partnership Human Resources Section.

The former CEO and former CFO abused their positions to provide these bonuses. The payments were not budgeted, and were not authorized or approved by the Board. The bonuses primarily benefited these two individuals with no justified public purpose. Pursuing repayment of these unauthorized payments would be in the best interest of county taxpayers.

3.2 Chief Financial Officer Unauthorized Paid Time Off

The former CFO instructed staff to add an additional 320 hours to her PTO balance without proper authorization or documented approval, and rolled over 100 percent of PTO hours in 2016 and 2017 to future periods, contrary to SLEDP policy, without approval. In total, the former CFO received additional compensation of \$38,020 for these unauthorized hours upon leaving employment with the SLEDP.

Unauthorized PTO hours

Based on our review of PTO records, Accounting Department and Human Resources (HR) staff added an additional 40 hours annually to the former CFO's PTO balance from 2011 to 2019 (with the exception of 2016), for a total of 320 hours. The 40 hours were in addition to the standard accrual of PTO as described in Section VI, Subsection B, of the SLEDP Employee Handbook. Current SLEDP staff could not locate any supporting documentation approving the additional 40 hours per year. In addition, neither the CEO prior to Sweeney nor the former Executive Vice President and Chief Operating Officer, who were both direct supervisors over the former CFO, had knowledge of the additional 40 hours added to the PTO balance annually, and did not recall ever approving any additional PTO. The former CFO received payouts for her unused PTO upon terminating employment from SLEDP. Based on our analysis of PTO records, the former CFO received additional compensation of approximately \$28,840 in her final paycheck as a result of the 320 unauthorized hours of PTO improperly added to their balance.

Unauthorized PTO rollover

In 2016 and 2017, the former CFO improperly rolled forward PTO in excess of the amount allowed by policy without proper authorization.



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SLEDP policy²² allows staff to accumulate a PTO balance of one and a half times a team member's annual PTO allocation, with any unused PTO above that limit at the end of the year being forfeited. However, the former CFO instructed staff to roll over her entire PTO balance, a total of 102 hours more than allowed by policy, in 2016 and 2017. SLEDP policy states roll overs in excess of allowable balances must be approved by the CEO in writing. Current SLEDP staff could not locate any documentation or authorization for these rollovers.

Based on our analysis of PTO balances, the former CFO received additional compensation on her final paycheck of \$9,180 as a result of these unauthorized rollovers. In addition, current staff indicated the former CFO was the only individual to receive the 100 percent PTO rollover in excess of the limit in 2017.

Controls over PTO balances need improvement

Controls over PTO balances need improvement. While the former CFO abused her position by instructing staff to perform these unauthorized actions, improved controls requiring documented approval from the CEO would have helped ensure the actions taken were appropriate and in compliance with established policy. Strict compliance with personnel policies is necessary to ensure employees are properly and equitably compensated.

The former CFO received a total of \$38,020 in compensation from unauthorized and unused PTO. Pursuing repayment of this unauthorized compensation is in the best interest of county taxpayers.

Recommendations

The SLEDP Board:

- 3.1 Pursue reimbursement for the unauthorized bonus payments paid.
- 3.2 Ensure personnel policies are applied equitably and any departure from policy is documented and approved by the appropriate level of authority. Also, the SLEDP should pursue reimbursement for improperly paid out compensation to the former CFO.

Auditee's Response

The SLEDP's written response is included at Appendix G.

4. SLEDP Board Oversight

The SLEDP Board did not provide adequate oversight or monitoring of SLEDP organizational activities. As a result, Sheila Sweeney, the former CEO was hired as the full-time CEO without a formal job offer, employment contract, or compensation package. This lack of oversight played a part in the former County Executive's ability to influence the former SLEDP CEO to manipulate various contracts and land development deals the agency oversaw

²² Section VI, Subsection B, of the SLEDP Employee Handbook



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as discussed in MAR finding number 1.3. In addition, employee bonuses were disbursed improperly in violation of SLEDP policy without oversight.

4.1 Chief Executive Officer Search and Compensation

The SLEDP Board provided limited oversight and monitoring of the former CEO and SLEDP organizational activities, and did not fulfill the function of the board to "fix the terms and conditions of such employment or contract for services," of the SLEDP CEO. The SLEDP Board consists of 15 members with 11 appointed by the County Executive and the remaining 4 appointed by the Mayor of the City of St. Louis. Former County Executive Stenger appointed 6 members to the Board during his time in office.

CEO search

The SLEDP Board approved a contract on May 27, 2015, for an executive search firm. SLEDP paid the firm \$61,600 to help identify candidates to fill the SLEDP CEO vacancy. However, the SLEDP Board received no official report or recommendation from the Search Advisory Committee, and did not formally vote to make Sheila Sweeney the CEO of the organization after appointing her as the interim CEO.

On March 25, 2015, the SLEDP Board finalized the membership of the newly formed SLEDP Search Advisory Committee comprised of SLEDP Board members and community members. The Search Advisory Committee was formed for the express purpose of developing and issuing an RFP for executive search firm services with the ultimate goal of locating a suitable candidate for presentation to the full board as the next SLEDP CEO. The full SLEDP Board was to have the final approval of the CEO candidate.

On June 24, 2015, the SLEDP Board appointed Sheila Sweeney the interim²³ CEO of the SLEDP in anticipation of the current SLEDP CEO's retirement, because the CEO search and selection process was still underway. The closed session meeting minutes from September 30, 2015, documented discussion of "...personnel matters as related to the Executive Search Committee and the recommendation on a CEO." The meeting minutes included no additional information regarding the individual recommended as the SLEDP CEO candidate or a documented Board vote or Board Resolution authorizing the CEO's appointment.

The previous Board Chairman, who has been on the board since August 1, 2013, did not recall any discussions or reports from the Search Advisory Committee to the full board concerning the appointment process of the former CEO, or the Search Advisory Committee presenting a list of potential candidates to be interviewed or considered for the permanent CEO position. In addition, the Board Chairman did not recall any discussions concerning the

²³ Prior to being named Interim CEO Sweeney was a member of the SLEDP and Port Authority Boards.



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appointment of the former interim CEO as the permanent CEO. SLEDP staff could not locate a report from the Search Advisory Committee to the full board detailing the selection criteria used in evaluating potential CEO candidates, or the committee's recommendation for the CEO position. SLEDP staff could not provide the date Sheila Sweeney was officially named CEO of the SLEDP.

Overseeing the process of selecting an executive officer to run the SLEDP is a significant responsibility of the Board. The SLEDP Board's failure to properly provide oversight and documentation of this process resulted in a CEO being named potentially without proper vetting and with a lack of transparency.

Compensation terms not approved by Board or formally documented

Sheila Sweeney served as the CEO of the Board for more than 3 years with an annual salary of \$260,000, plus bonuses and additional compensation, without her compensation terms being approved by the Board as required by SLEDP bylaws, and without a contract documenting her compensation package. The current Chairman could not recall Board discussions concerning the former CEO's salary and staff could not locate a formal job offer.

Rather than the Board setting Sweeney's compensation terms, the terms were established by the former County Executive's office. On October 9, 2015, the former CFO contacted the former County Executive's Director of Policy to request external confirmation of Sweeney's salary and benefits, which had been provided to the former CFO by Sweeney. In addition to being the Director of Policy for the former County Executive, this individual was also appointed to the SLEDP Board by Stenger as of January 1, 2015. On October 19, 2015, the Director of Policy confirmed Sweeney's salary and benefits, which included \$260,000 annually, 8 weeks of paid time off, a car allowance, and all other benefits for full-time SLEDP employees. The current Board Chairman at that time and current SLEDP staff were unaware of under what authority this individual approved Sweeney's salary and benefits.

Table 3: Former CEO compensation

Year	Salary	Automobile Allowance	Unused Paid		Bonus	Retirement	Total
			Time Off Payout				
2015*	\$ 107,862	3,000	N/A		0	13,889	124,751
2016	260,000	6,000	N/A		80,000	92,567	438,567
2017	260,000	6,000	N/A		80,000	102,965	448,965
2018	260,000	6,000	N/A		0	78,934	344,934
2019*	14,000	500	64,103		0	23,304	101,907
Total	\$ 901,862	21,500	64,103		160,000	311,659	1,459,124

* The former CEO was not in that position during all of 2015 or 2019

Source: St. Louis Economic Development Partnership Human Resources Section.



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Allowing the former County Executive's office to set and approve the former CEO's compensation and benefits provided the former County Executive influence over the former CEO. As discussed in MAR finding number 1.3, this influence allowed the former County Executive to manipulate various contracts and land development deals the agency oversaw.

Formal written employment contracts that clearly define all contractual terms, are necessary with the CEO to ensure all parties are aware of their duties and responsibilities, and to prevent misunderstandings. Also, as the highest level of authority within the organization, the SLEDP Board is required to provide oversight of the SLEDP CEO. The SLEDP By-Laws state:

The Board of Directors may employ an individual to perform the function of the Chief Executive Officer or contract with other entities for the furnishing of any services of Chief Executive Officer. The Chief Executive Officer shall be responsible for the administration and operating functions of the corporation. The Board of Directors shall fix the terms and conditions of such employment or contract for services.

4.2 Oversight of employee bonuses

The SLEDP paid bonuses to employees without sufficient Board oversight or approval. In addition, the SLEDP did not have procedures to evaluate and determine which employees earned bonuses and the amount of the bonus.

Excess bonuses paid

SLEDP administrators paid \$52,000 in bonuses in 2015, \$24,510 of which exceeded board approved policies. These bonuses were paid without justification, and without Board approval. In 2015, SLEDP policies allowed for up to a 4 percent bonus based on performance and on financial results. Table 4 summarizes the 3 bonuses paid in excess of the 4 percent, and totaling \$5,000 or more.

Table 4: 2015 Bonuses paid in excess of Board policy, and totaling \$5,000 or more

Title - Former Employee	Annual Salary	Amount of Bonus	Bonus Percent of Annual Salary	4 Percent of Annual Salary Limit	Excess Bonus
Chief Financial Officer	\$ 187,460	\$ 25,000	13%	\$ 7,498	\$ 17,502
Vice President of HR	138,000	10,000	7%	5,520	4,480
VP of Real Estate and Community Investment	70,170	5,000	7%	2,807	2,193
Totals	\$ 395,630	\$ 40,000		\$ 15,825	\$ 24,175

Source: St. Louis Economic Development Partnership Human Resources.

As indicated in Table 4, the bonuses for these 3 employees ranged from 7 to 13 percent of their annual salary. The previous SLEDP Board Chairman did not recall the Board approving bonuses in 2015 and there was no indication in the Board meeting minutes regarding approval of them.



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In addition to being more than the 4 percent limit, it is unclear how any bonuses were justified in 2015. The SLEDP employee handbook at that time stated:

.... a bonus system whereby bonuses of up to 4 percent of an employee's regular earning may be given in recognition of outstanding performance as measured by increased revenues and reduced expenses, as approved by the (SLEDP) Board of Directors.

According to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund from 2014 to 2015, excess revenues over expenditures decreased by \$380,000 (36 percent), and the net fund balance decreased by \$251,000 (22 percent), so it is unclear how the bonuses were justified based on SLEDP policy.

In addition, current SLEDP staff indicated a formal appraisal system was not used to determine bonus eligibility and amounts paid from 2015 through 2017. In 2015, 2016, and 2017, the SLEDP paid 8 bonuses totaling \$52,000, 15 bonuses totaling \$160,500, and 16 bonuses totaling \$187,500, respectively. Bonuses were removed from SLEDP policy following 2015. See MAR finding number 3.1 for additional discussion of the 2016 and 2017 bonuses.

The SLEDP has not paid any bonuses after January 1, 2018.

Recommendations

The SLEDP Board:

- 4.1 Continue to ensure employment contracts are executed with the CEO and are in the best interest of the SLEDP. All terms and conditions should be formally approved by the Board and publicly documented in the Board minutes.
- 4.2 Continue to follow current SLEDP policy regarding bonuses.

Auditee's Response

The SLEDP's written response is included at Appendix G.

5. County Personnel Policies and Records

Significant improvement regarding personnel policies and employee records for appointed employees is needed. The county has not established adequate personnel policies for appointed employees. In addition, the county's Personnel Division does not maintain personnel files, and the County Executive's office could not provide a personnel file for all appointed employees. Also, appointed employees received raises during a county-wide wage freeze, the personnel department does not verify certifications and qualifications required by the county's charter, and all appointed positions did not have documented job descriptions.



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5.1 Personnel issues
regarding appointed
employees

Policies and procedures regarding appointed employees need improvement. Per the county's charter and ordinances, the County Executive appoints his/her own staff, the director for each department, and 2 non-merit employees for each department. Our review of various employment records for 104 appointed employees identified the following concerns:

- Several appointed employees received a wage increase in their current position during a County Council approved county-wide wage freeze. Our work determined 17 of the 22 appointed employees tested received a wage increase even though their job title did not change. The Director of the Personnel Division indicated when the division received direction from the former County Executive to give raises to certain people, as long as the increase was within the range of salary for the position, the division staff would process the raise. In addition, the Director indicated appointed employee positions routinely change job classes and pay ranges when requested. The table in Appendix D, shows the wage increases received by these 17 appointed employees.
- The Personnel Division does not verify certifications and qualifications required by charter for appointed employees, which could result in unqualified personnel in appointed positions. The Division Director indicated she did not see this weakness as an issue, because the county government process is public. In addition, she indicated she had never been asked to document a verification. Of the 22 appointed employees selected for testing, 8 were required by charter or ordinance to have a certification. We determined 6 of these 8 appointed employees tested (75 percent) did not have supporting documentation showing the employee met the certifications required by charter or ordinance.
- Appointed employee personnel files were not centrally maintained in the Personnel Division. As a result, personnel files could be misplaced or lost when a new County Executive is elected. For example, 29 of the 104 (28 percent) appointed employees tested did not have a personnel file in either the County Executive's office or the Personnel Division.

For appointed employees with personnel files, we selected 65 files for additional testing. Personnel files provided were not always complete. Federal W-4 forms were missing for 19 of the 65 employees tested (29 percent). The I-9 form was missing for 11 employees and was incomplete for another 2 employees (20 percent).

Written personnel policies and strict compliance with those policies is necessary to ensure equitable treatment of employees, prevent misunderstandings, and ensure employees are properly compensated. In addition, the county's charter and ordinances require certain appointed



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positions have specified qualifications.²⁴ By not verifying the applicants/employees have those qualifications, the county cannot ensure the charter and ordinance requirements are met. Without sufficient employee personnel records, the Personnel Division has less assurance payments made to employees are appropriate.

5.2 Timesheet controls

The county has poor controls in place for ensuring timesheets are signed and approved before employees are paid. We tested 6 months of timesheets for 87 appointed employees to review for timesheet approvals. We identified 43 of 87 (49 percent) appointed employees tested had some unsigned or unapproved timesheets.

Without adequate timesheets the county cannot ensure hours worked by appointed employees are properly documented. Ensuring all timesheets are signed by the submitting employee and reviewed and timely approved by a supervisor helps ensure the accuracy of hours worked.

5.3 Job descriptions

The county had not prepared job descriptions for 46 of the 60 appointed positions tested (77 percent) as of February 2020. As a result, the responsibilities of these appointed employees are not clearly defined and communicated to the public. The Director of the Personnel Division indicated no appointed positions had job description documentation in the division under the former County Executive. The current County Executive has started to create job descriptions for appointed positions.

Job descriptions are needed to clarify duties, responsibilities, required qualifications, and reporting relationships of each position to prevent misunderstandings among employees and supervisors about performance expectations.

Recommendations

The County Council:

- 5.1 Develop and ensure compliance with formal written personnel policies for appointed employees including policies concerning increases in salary or pay rate. In addition, ensure personnel meet minimum qualifications for the position and adequately document a review of qualifications. Also, establish what the required contents of

²⁴ The County Charter list the requirements for the following positions:

- Director of Parks and Recreation at section 4.210.
- Director of Planning at section 4.240.
- Director of Public Works at section 4.300.

The County Ordinances list the requirements for the following positions:

- Director of Revenue at section 505.020.
- Executive Director of Fire Standards at section 702.020.



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a personnel file are for appointed positions and ensure employment records are maintained and complete for all employees.

5.2 Ensure timesheets are adequately prepared, and properly signed and approved.

5.3 Prepare job descriptions for all positions.

Auditee's Response
Auditor's Comment

The county's written response is included at Appendix F.

The County Council's response to MAR finding number 5.1 states no county-wide wage freeze ever existed. While this issue does not directly impact any of the report recommendations, for clarification, the November 2, 2018 budget letter submitted to the Council states that county wages were frozen 7 times in the previous 10 years. Audit staff confirmed this information with Human Resources personnel. The suggestion that no such wage freezes were ever in place was not discussed with auditors during fieldwork or during the report exit process. Based on the information obtained during the audit, the information presented in the report is accurate.

The response to MAR finding number 5.2 regarding timesheet controls states timesheets are not traditionally used for salaried appointed positions. However, our review of timesheets for appointed personnel showed that timesheets were used for all appointed employees involved in our test, with only one exception for 87 employees tested. The indication that timesheets were not used for such employees was not discussed with auditors during fieldwork or during the report exit process. As discussed in the report, adequate timesheets help ensure hours worked by appointed employees are properly documented.

6. Best and Final Offers

The Procurement Division has not established a formal policy for the use of Best and Final Offers (BAFOs). In addition, the Director of the Procurement Division does not review BAFOs to ensure the process for RFPs is followed. As a result, the county cannot ensure the process for BAFOs is fair for all companies submitting proposals and results in offers that cannot be easily and accurately evaluated.

For example, in a recent RFP, companies submitting proposals were mistakenly asked for inconsistent best offers. The Procurement Division asked the three finalists with the highest scores from the scoring committee for BAFOs on their lowest dollar amount proposal. However, some companies provided more than one proposal, some with setup fees and some without. The lowest cost proposal did not allow a comparison to be made between similar proposal types, which prevented the scoring committee from fairly evaluating the proposals. The RFP was canceled when a proposer brought this discrepancy to the county's attention and has not been reissued.



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The Acting Procurement Division Director indicated these problems resulted from the division's lack of experience with the BAFO process. In addition, written formal procedures for the BAFO have not been documented.

Formal procedures for BAFOs help ensure all parties are given an equal opportunity to participate in city business. The National Association of State Procurement Officials (NASPO) best practices state:

The principles that apply to the evaluation of initial proposals also apply to the revisions that offerors submit in their best and final offers. The evaluation must stay within the criteria outlined in the solicitation and the plan that the procurement officer and the evaluators put into place at the outset of the evaluation process.

Recommendation

The County Council establish formal policies and procedures for BAFOs.

Auditee's Response

The county's written response is included at Appendix F.

**7. SLEDP
Procurement**

SLEDP procurement procedures need improvement. Procurement documentation was not always retained and the contracts may not have been adequately reviewed or evaluated prior to execution.

Noncompliance with policies

The SLEDP procurement process and procedures need improvement. We noted several contracts were missing supporting documentation, a contract may not have been advertised, and several contracts circumvented the normal routing process.

A test of 20²⁵ judgmentally selected procurement contracts from 2015 to 2018 identified the following issues:

- Procurement files were incomplete for 4 of 12 applicable contracts. The files were missing the originating RFP documentation and/or responsive bids or proposals from vendors required by the SLEDP procurement policy.

For example, on June 23, 2016, the Port Authority executed a contract of \$422,000 for a public infrastructure study. During the procurement process, two firms submitted proposals. The Port Authority determined one firm "failed to comply with a material term of request" and concluded the proposal was non-responsive. No documentation could be provided defining "material term of request" and how the proposal failed to

²⁵ A total of 23 contract solicitations were reviewed, however, 3 solicitations related to land sales were not considered as part of this test work.



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comply. In addition, current SLEDP staff could not provide supporting documentation showing the request for proposal was advertised in a newspaper of general circulation in St. Louis County as required by state law for contracts executed by Port Authorities.

- The SLEDP does not have a formalized process to ensure procurement selections comply with SLEDP policy. Documentation for 2 of 7 applicable procurement contracts did not include sufficient supporting documentation showing why the vendor selected was chosen.
- In reviewing procurement contracts, we noted 3 of 19 applicable contracts appeared to have deviated from the approved SLEDP contract routing process. SLEDP personnel document their review of contracts on an internal routing sheet. We noted the dates of various levels of review occurred after the contract was executed for two contracts and the former SLEDP CEO approved the third contract without having a routing sheet. As a result, these contracts did not receive the levels of internal review required by SLEDP policy prior to the contracts being executed.

SLEDP Procurement Policy Section 9.2 Retention of Records states,

The Procuring Party shall retain all procurement records for a period of five (5) years following the date of final payment or the date that the grant with which such procurement is funded is closed, whichever is later; except that if any litigation, claim, or audit is started before the expiration of the five (5)-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

Formal procurement procedures for evaluations of bids would provide a framework for the economic management of resources of the SLEDP and help ensure the SLEDP receives fair value in its contracts as well as help ensure all parties are given an equal opportunity to participate in partnership business. In addition, the SLEDP Procurement Policy Section 3.5(B)(5) for competitive proposals states, "the contract files shall contain the basis on which the award is made." Also, Chapter 68.055(1) RSMo., which governs the activities of port authorities in state, requires them to advertise the RFP in a newspaper of general circulation in the city or county at least 20 days before letting the contract.

Also, Section 8.1(D) of the current SLEDP Procurement Policy states,

All written contracts shall be distributed for approval and execution by the originating division ... to the originating



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department's Vice President, General Counsel, Chief Financial Officer, and Chief Executive Officer.

Recommendation

The SLEDP should retain procurement documents in accordance with SLEDP policy and document a formal selection process to ensure all contracts are formally reviewed and evaluated in accordance with the established procurement policy. In addition, the SLEDP should ensure port authority contracts are advertised in compliance with state law.

Auditee's Response

The SLEDP's written response is included at Appendix G.



Appendix A
 St. Louis County
 Appointed Employee Annual Salaries for 2019

Title	Department Paying for Position	Annual Salary	Worked within	
			County Executive's Office?	Formal Job Description?
Director of Diversity, Equity and Inclusion	Revenue	\$ 121,014	Yes	No
Chief Diversity Officer	Administration	120,016	Yes	Yes
Director of Community Engagement	Municipal Court	119,995	Yes	No
Director of Communications	Public Works	110,885	Yes	No
Regional Relations Manager	Transportation	100,880	Yes	No
Deputy Director of Diversity, Equity and Inclusion	Parks & Recreation	83,013	Yes	No
Education Liaison to County Executive	Planning	65,000	Yes	No
Legislative Liaison	Revenue	65,000	Yes	No
Communications Coordinator	Transportation	65,000	Yes	Yes
Executive Assistant	Human Services	60,008	Yes	No
Community Engagement Coordinator	Administration	55,016	Yes	No
Policy Analyst	Human Services	46,675	Yes	No
Director of Met Center	Public Works	90,002	No	Yes
Special Projects Coordinator	Justice Services	90,002	No	Yes
Policy Advisor	Public Health	88,858	No	Yes
Special Projects Coordinator	Parks & Recreation	87,506	No	Yes
Special Projects Coordinator	Justice Services	82,493	No	Yes
Deputy County Municipal Court Administrator	Municipal Court	76,003	No	No
Communications Coordinator	Children's Service Fund	73,008	No	Yes
Children's Service Fund Coordinator	Children's Service Fund	65,000	No	Yes
Administrative Assistant	Fire Standards Commission	45,240	No	Yes
	Total	<u>\$ 1,710,614</u>		



Appendix B
 St. Louis County
 Appointed Employee Annual Salaries for 2018

Title	Department Paying for Position	Annual Salary	Worked within	
			County Executive's Office?	Formal Job Description?
Chief of Staff	Revenue	\$ 135,013	Yes	No
Senior Policy Advisor	County Counselor	130,000	Yes	No
Policy Analyst	Public Health	130,000	Yes	No
Policy Analyst	Human Services	130,000	Yes	No
Chief Diversity Officer	Administration	120,016	Yes	Yes
Director of Community Empowerment	Municipal Court	119,995	Yes	No
Director of Executive Support and Administration	Revenue	119,995	Yes	No
Policy Advisor	Public Health	88,858	Yes	Yes
Director of Communications	Public Works	87,506	Yes	No
Policy Advisor	Transportation	87,506	Yes	Yes
Special Assistant to the County Executive	Planning	85,010	Yes	No
Empowerment Specialist	Transportation	70,013	Yes	No
Education Liaison to County Executive	Human Services	65,000	Yes	No
County Municipal Court Administrator	Municipal Court	119,974	No	No
Deputy Director of Diversity, Equity and Inclusion	Parks & Recreation	107,806	No	No
Director of Met Center	Public Works	90,002	No	Yes
Special Projects Coordinator	Justice Services	90,002	No	Yes
Deputy County Municipal Court Administrator	Municipal Court	79,643	No	No
Special Projects Coordinator	Justice Services	75,005	No	Yes
Quality Control Officer	Administration	74,942	No	Yes
Communications Coordinator	Children's Service Fund	73,008	No	Yes
Children's Service Fund Coordinator	Children's Service Fund	65,000	No	Yes
Administrative Assistant	Planning	50,000	No	Yes
Administrative Assistant	Fire Standards Commission	45,240	No	Yes
	Total	\$ <u>2,239,534</u>		



Appendix C
 St. Louis County
 Appointed Employee Annual Salaries for 2017

Title	Department Paying for Position	Annual Salary	Worked within	
			County Executive's Office?	Formal Job Description?
Chief of Staff	Revenue	\$ 135,013	Yes	No
Chief of Governmental Relations	Administration	130,000	Yes	No
Policy Analyst	Public Health	130,000	Yes	No
Director of Executive Support and Administration	Parks & Recreation	119,995	Yes	No
Director of Community Empowerment	Municipal Courts	100,006	Yes	No
Director of Communications	Public Works	87,506	Yes	No
Special Assistant to the County Executive	Public Health	85,010	Yes	No
Policy Advisor	Transportation	77,501	Yes	Yes
Empowerment Specialist	Transportation	65,000	Yes	No
Education Liaison to County Executive	Human Services	65,000	Yes	No
Policy Advisor	Planning	58,427	Yes	Yes
County Municipal Court Administrator	Municipal Courts	119,974	No	No
Deputy Director of Diversity, Equity and Inclusion	Parks & Recreation	98,010	No	No
Director of Met Center	Public Works	90,002	No	Yes
Deputy County Municipal Court Administrator	Municipal Courts	79,643	No	No
Special Projects Coordinator	Justice Services	75,005	No	Yes
Quality Control Officer	Administration	74,942	No	Yes
Communications Coordinator	Children's Service Fund	73,008	No	Yes
Special Projects Coordinator	Justice Services	71,510	No	Yes
Children's Service Fund Coordinator	Children's Service Fund	65,000	No	Yes
Administrative Assistant	Fire Standards Commission	45,240	No	Yes
	Total	\$ <u>1,845,792</u>		



Appendix D
 St. Louis County
 Raises Without a Change in Job Title

Title at Time of Raise	Salary ¹	Raise Without Change in Title	Raise Percent	Final Salary After Increases
Director of Communication	\$ 75,005	\$ 35,880	48	\$ 110,885
Director of Met Center	60,566	29,436	49	90,002
Program Analyst	65,000	25,002	38	90,002
Legislative Affairs Coordinator	109,990	20,010	18	130,000
Administrative Secretary III	53,560	14,456	27	68,016
County Municipal Court Administrator	106,434	13,540	13	119,974
Director of Human Services	112,005	13,003	12	125,008
Empowerment Specialist	54,995	10,005	18	65,000
Director of Children's Service Fund	120,016	9,984	8	130,000
Deputy Director of Diversity, Equity, and Inclusion	98,010	9,796	10	107,806
Executive Assistant	65,000	8,258	13	73,258
Policy Advisor ²	49,875	6,573	13	88,858
Empowerment Specialist	65,000	5,013	8	70,013
Administrative Secretary	45,635	2,288	5	47,923
Administrative Secretary	37,128	2,080	6	39,208
Director of Planning	128,801	1,241	1	130,042
Administrative Secretary III	49,682	966	2	50,648
Total	\$	<u>207,531</u>		

¹ Salary as of January 1, 2015 or initial salary if hired after January 1, 2015. All employees were given a 3 percent raise on 2/1/15. If these employees received this raise it was included in the salary.

² The Policy Advisor received two pay increases due to changes in duties or title totaling \$32,410.



Appendix E
St. Louis County
Contracts Held

<u>Contract Number</u>	<u>Number of Days Held</u>
20160069	260
20160148	174
20180232	121
20150185	115
20180256	90
20170073	60
20160065	54
20150227	44
84162	35
84558	28
20160213	28
20180056	26
91310	22



Appendix F
 St. Louis County
 St. Louis County Response

St. Louis County Council



- 1st District
RITA HEARD DAYS
- 2nd District
KELLI DUNAWAY
- 3rd District
TIMOTHY E. FITCH
- 4th District
ROCHELLE WALTON GRAY
- 5th District
LISA D. CLANCY
- 6th District
ERNIE G. TRAKAS
- 7th District
MARK A. HARDER

LISA D. CLANCY
 Chairwoman

ROCHELLE WALTON GRAY
 Vice-Chairwoman

DIANN L. VALENTI
 Acting Administrative Director

314 / 615-5440
 FAX: 314 / 615-7890

September 11, 2020

The Honorable Nicole R. Galloway, CPA
 Missouri State Auditor
 P.O. Box 809
 Jefferson City, MO 65201

Dear Auditor Galloway,

This letter is in response to the findings contained in the report of the audit of St. Louis County government and the former County Executive conducted by your office and presented to the County Council on August 18, 2020.

As a threshold matter, we would be remiss if we did not point out that the report seems to operate upon an inaccurate premise, namely that St. Louis County government is Council-managed. This is not the case. Beyond appropriation authority, the County Charter gives the Council limited oversight power over the executive branch.

The St. Louis County Council confronted unprecedented challenges over the past few years dealing with the criminal administration of Steve Stenger. Beginning in 2017, the council, as the elected representatives of the people, spent the majority of the last 4 years in hearings, investigating, and pursuing legal actions to reveal and rein in the corruption of the past administration. We have also created measures, through ordinances and charter amendments that will provide proper oversight and transparency over the operation of government in the future. But there is still more work to be done. We welcome this opportunity to discuss our plan to finally put the past malfeasance behind us and work towards a better government for all the residents of St. Louis County. (These responses will become Appendix F. of the audit report)



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 The County Government Center and the Council Chamber are accessible for persons with disabilities. If you need an accommodation or need this material in an alternative format, please call Diann L. Valenti, Acting Administrative Director, at (314) 615-5440 (voice) or call RelayMO 711 or 1-800-735-2966 (TTY). Fax Number: 314-615-7890





Appendix F
St. Louis County
St. Louis County Response

1.1 Contracts

Auditor Finding:

The former County Executive held contracts indefinitely prior to execution, resulting in the delay of projects, and the loss of federal funding and contractors. In addition, the former County Executive held contracts prior to the County Council's review and delayed renewals resulting in a loss of funding from outside sources, delayed completion of approved projects, and the loss of the contractor selected by bid or proposal. This ability to hold contracts also results in a loss in transparency of the procurement and contracting process.

Council Response:

We agree. To the extent permitted by the Charter, the Council will consider legislation to address this issue. For example, the Council could consider enacting and/or amending ordinances providing that Council authorization for the County Executive to execute a contract, lease, or any other legal agreement is rescinded as to any such agreement that remains unexecuted by the County Executive after fifteen (15) days. In addition, the Council could consider formalizing its existing custom by changing its rules to state that any council member who receives a communication from the County Executive on matters affecting the County must share such communication with all council members.

1.2 Procedural Manipulation

Auditor Findings:

The former County Executive manipulated procurement procedures and processes, which gave himself more influence over county procurement including:

- *Selection committee ordinances were abused. The former County Executive added his own staff to RFP selection committees.*

Council Response:

We agree. However, the Council, like all governmental entities, expects and relies upon the honest exercise of authority. Nonetheless, the County Council has taken action to address this weakness by amending Section 107.132 of the County's ordinances in October 2018 to require the selection of individuals with professional experience for RFP review committees. The Council could also consider prohibiting certain appointees from voting on proposals and/or contracts submitted in response to an RFP.



Appendix F
St. Louis County
St. Louis County Response

- *Lease procurement procedures were circumvented.*

Council Response:

We agree that customary procedures were circumvented. To the extent permitted by the Charter, the Council should consider action to address this issue. For example, the Council could consider enacting an ordinance to require that the negotiation and approval for execution of all real estate related contracts for the County shall be the joint and collaborative responsibility of the Transportation & Public Works Department and the County Counselor's office.

- *Contributions from developers gave the appearance of a significant conflict of interest.*

Council Response:

We agree and have taken action. On October 6, 2018 Article 12.020 the County's Charter was amended by vote of County residents to prohibit contributions related to transactions being negotiated with the County ninety (90) days before a contract is approved and ninety (90) days after.

- *Request for proposals process was abused. Ordinances guiding the IFB and RFP procurement processes did not clearly define when each process should be used.*

Council Response:

We agree and have taken action. In October 2018, Section 107.132 of the St. Louis County Ordinances was updated to better distinguish these processes.

- *Insufficient oversight from the Council – See Section 2*

2. Inadequate County Council Oversight

The County Council did not perform sufficient due diligence over lease agreements, did not provide oversight of employees appointed by the County Executive, and did not ensure the county's internal audit capabilities were operating effectively

Lease oversight

Auditor Findings:

- *The County Council passed ordinances allowing the county to enter into a significant lease without reviewing the lease agreement, cost analysis, appraisals, and other supporting documentation*



Appendix F
St. Louis County
St. Louis County Response

Council Response:

We agree in part and to limited extent. As referenced above, the County Charter in section 2.180.7-10 lists Council powers related to real estate purchases, leases, condemnation, and disposal. Prior to 2017 the Council failed to proactively and assertively exercise these powers. Nonetheless, the Council should consider taking action(s) to address this issue. For example, enacting an ordinance requiring the Transportation and Public Works Department, in coordination with the County Counselor's office, to supervise initial consideration, review, preliminary negotiation and recommendation for execution(s) all real estate related contracts for the County.

Land exchange.

Auditor Findings:

- *The council delegated its authority to the County Executive for a land swap deal without adequate oversight.*

Council Response:

The Council was intentionally misled and lied to by Gary Bess, Director of the Parks Department about the valuation of the property in question. In addition, then County Executive, Steve Stenger, requested legislation authorizing him to lease and/or exchange the subject properties. The Council passed authorization to do so was based on false information supplied by Mr. Stenger and Mr. Bess. Moreover, in 2018 County voters approved a Charter amendment, now in effect, that requires all sale and/or exchange of County Park property to be subject to approval by County residents via ballot initiative.

Appointed non-merit employees

Auditor Findings:

- *The County Executive is able to hire staff, in addition to his budgeted staff, at a salary of his choice, and charge the appointed staffs' salaries to other departments.*

Council Response:

As a threshold matter, Charter Section 3.040 governs the County Executive's ability to hire an executive staff. Section 201.070 SLCRO addresses the structure of non-merit employees. In the future, the Council will examine compliance with the ordinance. In addition, the council could consider, to the extent permitted by the Charter, amending Section 201.070 to require that all employees that report directly to the County Executive as his executive staff must be covered directly and exclusively by the County Executive's budget. Section 2.180.1 of the County



Appendix F
St. Louis County
St. Louis County Response

Charter already gives the Council authority to set the compensation levels for non-merit employees. The Council currently has the authority to review all non-merit employee compensation annually as part of the budget process.

2.3 County Auditor Position

The County Council has not fully utilized the office of the County Auditor and requested audits of concerns brought to the attention of the council. The county's charter requirements for the County Auditor's qualifications do not ensure the County Auditor will possess the knowledge, skills, and other competencies to ensure the position is adequately staffed and allowed the County Auditor to hire personnel without any auditing experience.

Auditor's Findings:

- *Current County Auditor is not being utilized to provide oversight*
- *Current County Auditor does not possess adequate qualifications to fulfill the job requirements.*
- *Current County Auditor has not met auditing standards or followed best practices*

Council Response:

We agree. The County Council created an audit review committee. The auditor was poorly supervised by this committee and council Chairs. No list of annual audit targets was produced by the committee or the auditor. The committee has since been abolished. The Council should consider taking action to address this issue. For example, the Council could consider passing an ordinance adding qualifications and more clearly defining the Auditor's job description.

5.1 Personnel issues regarding appointed non-merit employees

Auditor Findings:

- *Several appointed employees received a wage increase in their current position during a County Council approved county-wide wage freeze*
- *The Personnel Division does not verify certifications and qualifications required by charter for appointed employees, which could result in unqualified personnel in appointed positions*
- *Appointed employee personnel files were not centrally maintained in the Personnel Division.*



Appendix F
St. Louis County
St. Louis County Response

Council Response:

To begin with, the Director of Personnel does not oversee or have any responsibilities concerning non-merit employees. In addition, no “county-wide wage freeze” ever existed or was in place. The report is in error on this point. As already discussed under Section 2, oversight and supervision of non-merit employees is the province of the entity/individual that hired said employee(s). Regarding non-merit employee wages, the Council could consider taking action(s) to address this issue. For example, developing a procedure to do an annual review of Council non-merit employee compensation.

Appointed employees serve at the pleasure of the hiring authority/individual and it is that entity’s responsibility to verify their qualifications. These employees should be managed by the hiring authority/individual.

5.2 Timesheet controls

Auditor Findings:

- *The county has poor controls in place for ensuring timesheets are signed and approved before employees are paid.*

Council Response:

These are salaried positions for which timesheets are traditionally not used. No further action needed.

5.3 Job descriptions

Auditor Findings:

- *The county had not prepared job descriptions for many appointed positions.*

Council Response:

Job duties and responsibilities contract, expand and are often subject to change on short notice. To the extent permitted by the Charter, the Council should consider the necessity, appropriateness and efficacy of enacting an ordinance requiring job descriptions for all non-merit employee positions.



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6. Best and Final Offers

Auditor Findings:

- *The Procurement Division has not established a formal policy for the use of Best and Final Offers (BAFOs).*
- *In addition, the Director of Procurement does not review BAFOs to ensure the process for RFPs is followed.*

Council Response:

We agree. To the extent permitted by the Charter, the County Council should consider legislation addressing this issue. For example, an ordinance establishing formal policies and procedures for BAFOs to ensure that the process is fair for all companies submitting proposals and offer results that can be easily and accurately evaluated. Any such ordinance shall be written in alignment with the National Association of State Procurement Officials (NASPO) best practices.

Sincerely,

St. Louis County Council

A handwritten signature in blue ink, appearing to read "L. Clancy".

Lisa Clancy, Chairwoman



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September 11, 2020

Via Email

Nicole Galloway, CPA
Missouri State Auditor
301 W. High Street, Room 880
Jefferson City, Missouri 65102

RE: St. Louis Economic Development Partnership's Written Response to the St. Louis County Management Advisory Report State Auditor's Findings

Dear State Auditor Galloway:

On May 7, 2019, the St. Louis County Council formally requested the Missouri State Auditor to perform an independent review of county operations to certify to taxpayers that the assets of St. Louis County are safeguarded through proper internal controls, which comply fully with State and local law. In conjunction with that request, the Missouri State Auditor also reviewed the operations of the St. Louis Economic Development Partnership (the "Partnership" or "SLEDP").

The Board of Directors of the Partnership (the "Board") greatly appreciates the time and effort staff within the Missouri State Auditor's office devoted to conduct this audit and prepare the associated Management Advisory Report ("Report" or "MAR"). The Board recognizes its fiduciary responsibilities, particularly noting the importance of ensuring that the Partnership spends public funds wisely and remains a steward of the public trust as it fulfills its mission to attract, retain, and grow businesses in St. Louis County and St. Louis City.

General Background to Partnership Response

On January 3, 2019, based on its own inquiries, and prior to the federal indictments of the former St. Louis County Executive and the Partnership's former Chief Executive Officer ("CEO"), the Board took decisive action that resulted in the termination of employment of the former CEO. Concurrently, the Board appointed an Interim CEO who subsequently was made permanent CEO. With the Board's full support, the new CEO immediately began a rigorous review of the Partnership that identified critical issues and put new procedures in place that strengthened compliance with the Partnership's policies, increased transparency, and stabilized and improved day-to-day operations.

The Board agrees with the recommendations of the Report. The Partnership's enhanced and new procedures are outlined below in response to the applicable Auditor findings and recommendations.

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In light of the above and on behalf of the Board, we provide the responses below to each Report recommendation that pertains to the Partnership.

Partnership Response to MAR Recommendation 1.3

MAR Recommendation 1.3: The SLEDP Board ensure the contracting process is competitive and transparent, and appraisals are obtained for all real estate transactions.

Competitive and Transparent Contracting Process

The Board agrees that competitive and transparent procurement processes are of the utmost importance to fulfill its fiduciary oversight role. To strengthen compliance and oversight of the Partnership's procurement policies, beginning in January 2019, the Partnership has made the following changes in its procurement and contracting processes:

1. Implementing a formal selection process for all consulting or service contracts, and other contracts in excess of \$30,000. This process includes the following:
 - a. Oversight of the entire procurement process by the Partnership's Legal Department.
 - b. Establishment of selection committees comprised of a cross-section of Partnership staff who meet to review proposals based on pre-identified evaluation criteria, conduct interviews if required, and determine a selection recommendation. Selection committees also include individual members of the Board where appropriate, in an advisory capacity.
 - c. CEO review and approval of the selection committee recommendation prior to any communication with an outside party.
 - d. Preparation of a written memorandum to document the selection committee's recommendation, the reasons therefore, and the review process.
 - e. Maintenance of RFP bid documents, proposals, and selection materials by the procuring division and the Legal Department.
 - f. Inclusion of a description of the procurement and selection process in Board Resolutions approving contracts. Board approval is required prior to execution of all contracts in excess of \$30,000.
 - g. Inclusion of a procurement and selection memorandum in the contract routing forms circulated for review and approval by the applicable division, General Counsel, Chief Financial Officer, and CEO. Review and approval of contract and procurement documents is required at each level prior to execution of a contract and prior to payment of any funds. Contract routing documents are ultimately stored with executed contracts in the Partnership's contract data base.
2. Conducting Partnership-wide mandatory procurement training for all Partnership staff. Trainings were completed in the Summer 2019, with 100% staff attendance. Additional mandatory procurement training is planned annually.



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3. Requiring strict compliance with the Partnership's Policies regarding Board review of Contracts. The Partnership's Procurement Policy provides that the Board receive information regarding every contract to which the Partnership is a party. This is accomplished in two ways: (1) contracts not exceeding \$30,000 must be reported to the Board at each meeting in a written contract report, containing the name of the vendor, the price, a short description of the contract, and the responsible staff person; and (2) contracts exceeding \$30,000 must be approved by written resolution presented to the Board prior to execution. This system allows the Board the opportunity to inquire of staff as to the contracting process for each and every contract.
4. Creating and re-establishing active Board committees to provide ongoing oversight and expertise directly to Partnership staff in major Partnership decisions. These committees include: (1) Real Estate Advisory, (2) Employee Experience (Human Resources), (3) Budget and Audit, (4) Strategic Planning, and (5) Board Nominating.
5. Inclusion of training and reminders to Partnership staff of the Partnership's formal whistleblower protections included in the Partnership's Employee Handbook. These protections encourage employees to report to the Board any suspected instances of malfeasance of the CEO. In January 2020, with 100% staff participation, the Partnership conducted ethics training, which included training on the Partnership's whistleblower policy.

Additionally, please note that the Partnership was not the contracting entity in four (4) of the five (5) contracts identified in this Report section. For example, historically, the Partnership provided all staff, administration and management services to the Port Authority, pursuant to a management agreement. In November 2018, the County Council passed legislation to allow the Council to appoint an entirely new Board of Commissioners of the Port Authority in an effort to take control of the Port Authority from the former County Executive and former CEO of the Partnership. After the former County Executive's resignation, in April 2019, the new Board of Commissioners assumed control of the Port Authority. For the Port Authority, and for the other economic development entities it manages, the Board retains responsibility for the actions of the Partnership's employees and requires that the same rigor and consideration applied to the approach described above for the Partnership shall be provided for each managed entity, regardless of whether the particular managing board has requested that same level of service.

The portion of MAR 1.3 pertaining to CEO compensation is addressed in our response to MAR 4.1 and 4.2 below.

Appraisals for all real estate transactions

The Real Estate Advisory Committee of the Board is working with Partnership staff to create policies for the Partnership and for entities that the Partnership manages, for the disposition of real estate. These real estate policies will incorporate both statutory requirements and best practices relating to the sale of real estate for the ownership entity. The Board agrees that appraisals of real estate are essential to establish the anticipated market value for real estate before disposition or



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purchase. Real estate policies will require appraisals and further require that any variance from market value be documented and be within the applicable statutory and commercial standards that apply to the ownership entity. The Partnership's Real Estate Advisory Committee would be involved in all deliberations concerning the purchase or sale of real estate by the Partnership or any of the entities managed by the Partnership.

Partnership Response to MAR Recommendation 3.1

MAR Recommendation 3.1: Pursue reimbursement for the unauthorized bonus payments paid.

The Board acknowledges the importance of this recommendation and is consulting with legal counsel to determine the best course of action.

Partnership Response to MAR Recommendation 3.2

MAR Recommendation 3.2: Ensure personnel policies are applied equitably and any departure from policy is documented and approved by the appropriate level of authority. Also, the SLEDP should pursue reimbursement for improperly paid out PTO compensation to the former CFO.

Equitable Application of Personnel Policy

The Board agrees that personnel policies must be applied equitably to all employees and that any deviation from standard policy should be properly authorized and documented. The Partnership has adopted a process by which any departure from the Partnership's employee Handbook, including for PTO carry over, will be documented in writing, approved with the CEO's signature, and retained in permanent personnel records. Additionally, the Employee Experience Committee will advise staff on any such departure from policy, and it will be applied equally to all relevant employees. This process will ensure that the actions taken are appropriately authorized, documented for historical record, and compliant with applicable policies.

Reimbursement for Unauthorized PTO Payments

The Board acknowledges the importance of this recommendation and is consulting with legal counsel to determine the best course of action.

Partnership Response to MAR Recommendation 4.1

MAR Recommendation 4.1: Continue to ensure employment contracts are executed with the CEO and are in the best interest of the SLEDP. All terms and conditions should be formally approved by the Board and publicly documented in the Board minutes.

The Board agrees that formal written contracts, which clearly identify the duties and responsibilities of each party and are approved by the entire Board, are the best way to fulfill its



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responsibility to “fix the terms and conditions” of employment of a CEO. The Board utilized this process when employment of the current CEO was approved. A formal written contract ensures that all parties are aware of and accept the basic terms of employment, including job duties and compensation. Board oversight of terms and conditions of the CEO’s employment will continue as prescribed in the Partnership’s bylaws.

Partnership Response to MAR Recommendation 4.2

MAR Recommendation 4.2: Continue to follow current SLEDP policy regarding bonuses.

Continue to follow current SLEDP policy regarding bonuses.

As noted in the Report, bonuses have not been awarded beginning in 2018 onward. Bonuses should be awarded to employees only in accordance with a properly reviewed and approved policy, which includes a formal and objective appraisal system to document award determinations. Until and unless such a policy is in place, the Board will not direct the CEO to award bonuses to employees and will not approve a budget that includes an allocation for bonuses based upon MAR Recommendation 4.2. The Board’s Employee Experience Committee will assist in development and implementation of any future bonus policy, with Board approval.

With regard to Board oversight of unauthorized bonuses paid to employees, the Board notes that the budgets, audits, and financial statements the Board received during the audit period did not identify individual compensation or bonuses paid. In the absence of requests for approval of bonuses, the Board believed that no bonuses had been paid during the time in question. Additionally, the 2016 IRS Form 990, which is the first to list significantly higher than normal total compensation and bonuses paid to the former CEO was not filed with the IRS and made available to the public until October of 2018. By this time, the bonuses had long since been paid without Board knowledge or approval.

Partnership Response to MAR Recommendation 7

MAR Recommendation 7: The SLEDP should retain procurement documents in accordance with SLEDP policy and document a formal selection process to ensure all contracts are formally reviewed and evaluated in accordance with the established procurement policy. In addition, the SLEDP should ensure port authority contracts are advertised in compliance with state law.

Retention of procurement documents

The Board agrees that each step in the procurement process should be supported by adequate documentation, which should be retained in accordance with the mandates of the Partnership’s Procurement Policy. The Board had a retention of procurement documents policy that was not followed. In early 2019, the Board instituted new selection and documentation procedures to strengthen compliance with the Partnership’s procurement policy (see response to MAR 1.3 above). Additionally, to ensure proper compliance on each contract, the legal department provides training sessions to educate staff regarding the



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requirements of the Partnership's Procurement Policy. In the summer of 2019, prompted by many of the events detailed in the Report, legal staff presented a series of comprehensive training sessions to review the Partnership's entire Procurement Policy. One hundred percent (100%) of Partnership staff participated in those training sessions. Additional mandatory training is planned annually.

Formal Selection Process and Port Authority Contracts

Partnership staff have implemented the formal selection process as outlined in the Partnership's response to MAR 1.3.

Effective July 1, 2018, Partnership staff updated the Partnership's Procurement Policy to ensure Port Authority contracts comply with Chapter 68, RSMo. Please note the instance in which a Port Authority contract did not comply with state law regarding advertisement occurred in June 2016, prior to these updates to the Procurement Policy.

Summary

The Board of Directors and current management have progressed diligently to ensure the Partnership meets its obligations to spend public funds wisely and remain a steward of the public trust. Starting in 2019, current management, in conjunction with the Board, enhanced procurement and human resources procedures to strengthen compliance with Partnership policies.

The Board looks forward to completing the implementation of Report recommendations, as discussed herein, and to fully restoring public trust, and continuing the mission of the Partnership to attract, retain and grow businesses in St. Louis County and St. Louis City.

Sincerely,
Board of Directors, St. Louis Economic
Development Partnership

Tracy E. Hart, Chair