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Missouri State Auditor

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# St. Louis Regional Convention and Sports Complex Authority

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**Susan Montee, JD, CPA**  
Missouri State Auditor

## YELLOW SHEET

### Findings in the audit of the St. Louis Regional Convention and Sports Complex Authority

#### Authority Suite

By agreement, the St. Louis Regional Convention and Sports Complex Authority (Authority) receives 42 tickets to the St. Louis Rams home football games at no cost for the use of one of the Dome suites. These tickets are distributed to the Authority's commissioners and staff, and government sponsors (state of Missouri - including the Department of Economic Development, City of St. Louis, and St. Louis County). The Authority's policy requires a \$40 per ticket charge for most attendees to cover the costs of food and beverages served; government visitors and their guests are not charged for economic development reasons. During the 2008 football season, food and beverage costs of about \$7,500 incurred during the use of the Authority's suite were not covered and were absorbed by the Authority. Approximately 30 percent of the tickets used were not assessed the charge for food and beverages. Attendance records did not always include details about the uncharged ticket users, making it unclear how some of the ticket users related to economic development. It appears some of these ticket users, including tickets used by the various Authority business associates and other guests, should have been charged for food and beverage costs. Additionally, the amount charged per ticket for food and beverages was insufficient to recoup the cost, and the cost analysis performed was inaccurate and did not include all food and beverage costs incurred.

In addition, the cost of food and beverages provided to Missouri state and local officials at Rams football games was not reported as lobbying expenses to the Missouri Ethics Commission and attendance records did not include enough detail to ensure costs were reported for all applicable individuals. Also, tickets were distributed to some commissioners even though they had not paid the cost for attending previous games as required by policy.

#### Expenditures

The Authority, the Convention and Visitors Commission (CVC), and the Rams entered into a contract amendment in September 2007. Under the terms of the agreement, the Authority agreed to pay approximately \$30 million for improvements to the Dome and other costs. However, the Authority did not ensure a proper and reasonable price was paid when reimbursing the Rams for the purchase of LED scoreboards, totaling approximately \$952,000. As part of the agreed costs, the Authority also reimbursed the Rams for consultant fees totaling \$379,000; however, this payment was made from preservation funds, which are restricted to repair and replacement costs of the Dome. In addition, the Authority allocates a percentage of some operating costs to the Preservation Fund; however, such expenditures do not appear to be allowable expenses of the fund, and the Authority could not provide an explanation or documentation of the basis used to allocate these costs. Also, bids or proposals were not always



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solicited or retained for professional services acquired, and the Authority does not have a formal policy in place for procuring such services.

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### Board Supervision

The Authority's Board of Commissioners (the Board) could provide better oversight of the Authority's activities. While the Board is provided with updated summary financial information at each board meeting, detailed listings of expenditures are not included and supporting documentation for transactions had not been requested by the Board in recent years. We noted several significant transactions for which the Board did not request or receive detailed supporting documentation for review, such as multiple preservation expenditures made to improve and maintain the Dome and purchases on a credit card held by the Executive Director in the Authority's name. In addition, investment transactions made by a contracted financial advisor are reviewed and approved solely by the Executive Director.

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### Other Issues

Improvements are also needed over capital asset records, documentation of insurance coverage of the Dome, and board meeting minutes.

The Authority indicated a physical inventory had been performed by the CVC; however, records documenting the physical inventory count were not maintained by the Authority. Additionally, there is no documentation of the items added and disposed during a given period of time and proper authorization from the Authority was not documented to support the disposal of Dome property.

The Authority annually receives a certificate of insurance from the CVC as proof of insurance on the Dome; however, this certificate only provides a summary of coverage and does not include any details concerning the various levels of coverage or deductibles. Additional documentation is not requested by the Authority for review.

Open meeting minutes typically indicate the meeting was going into closed session, but the specific reason to close the meeting was not always documented. In addition, we noted instances in 2008 in which closed sessions were held; however, meeting minutes were not prepared or maintained in accordance with the Sunshine Law.

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# **SUSAN MONTEE, JD, CPA**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the Missouri General Assembly  
and  
Members of the St. Louis Regional Convention and  
Sports Complex Authority  
St. Louis, Missouri

We have audited certain operations of the St. Louis Regional Convention and Sports Complex Authority (the Authority) in fulfillment of our duties under Chapter 29, RSMo. In addition, the Authority engaged Rubin Brown, LLP, Certified Public Accountants and Business Consultants, to audit the Authority's financial statements for the 4 years ended December 31, 2009. The scope of our audit included, but was not necessarily limited to, the years ended December 31, 2009, 2008, 2007, and 2006. The objectives of our audit were to:

1. Evaluate the Authority's internal controls over significant management and financial functions.
2. Evaluate the Authority's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Authority, as well as certain external parties; and testing selected transactions.

We obtained an understanding of 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. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary

given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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.

The accompanying Management Advisory Report presents our findings arising from our audit of the St. Louis Regional Convention and Sports Complex Authority.



Susan Montee, JD, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Assistant Director:	Douglas Porting, CPA, CFE
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In-Charge Auditor:	Carl Zilch, CIA
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# St. Louis Regional Convention and Sports Complex Authority Background

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The St. Louis Regional Convention and Sports Complex Authority (the Authority) was established in 1989 pursuant to Section 67.650, RSMo, to finance, construct, operate, and maintain a multi-purpose convention and sports facility. This facility represented an expansion of the existing A. J. Cervantes Convention Center and included a 70,000 seat domed stadium. This project was intended to complement the existing convention center.

The project was a joint venture between the state of Missouri, the City of St. Louis, and St. Louis County (the Sponsors), with the Authority being responsible for the construction of the facility as well as its subsequent maintenance and operation. In 1991, a financing agreement was entered into whereby each of the Sponsors agreed to contribute funds annually to the Authority, subject to appropriation, to fund principal and interest payments on bonds issued to finance the cost of the project. In addition, beginning in 1994, the Sponsors agreed to contribute additional funds to the Authority's Preservation Fund to be used to pay future costs of maintaining the project facility.

Based on the financing agreement, the state will ultimately spend \$355 million for its portion of the debt service requirements and preservation payments through the year 2021. During the 4 years ended December 2009, the state contributed \$12 million annually, \$10 million for the payment of debt service and \$2 million for preservation purposes. During that same period, the City of St. Louis and St. Louis County each contributed \$6 million annually, \$5 million for debt service and \$1 million for preservation purposes.

The project was originally financed by bonds issued by the Authority in August 1991. The bonds were sponsored by the state of Missouri, the City of St. Louis, and St. Louis County for \$132.9 million, \$65.7 million, and \$60.1 million, respectively. The bonds sponsored by the state of Missouri and St. Louis County were refinanced in 1993 and again in 2003, and the bonds sponsored by the City of St. Louis were refinanced in 1997 and again in 2007. The Authority made its first debt service payment on the bonds in February 1992, with the last debt service payment scheduled to be due in August 2021.

The Authority completed the construction of the project in 1995 for approximately \$300 million. The project, currently named the Edward Jones Dome (the Dome), is a multi-purpose convention and sports complex facility used for conventions, trade shows, exhibitions, concerts and a variety of sports events, including home games of the National Football League's (NFL) St. Louis Rams (Rams) football team. The Dome is considered part of the America's Center, a convention center and sports complex, which also includes the previously existing A. J. Cervantes Convention Center.



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## St. Louis Regional Convention and Sports Complex Authority Background

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In 1991, the Authority, the City of St. Louis, and St. Louis County entered into an agreement to lease operations of the Dome to the St. Louis Convention and Visitors Commission (CVC) upon project completion. Since completion, the Dome has been marketed and operated by the CVC pursuant to this lease agreement. The CVC has a sublease with the Rams football team which allows the team to use and operate the facility for its home football games.

The CVC markets the City of St. Louis and St. Louis County as a convention and meeting site and as a leisure travel destination. In 1991, the CVC's board was reorganized to reflect the organization's new role in managing the expanded America's Center convention complex. The CVC is funded primarily by a 3.75 percent tax on hotel sleeping rooms in the city and county. The CVC works to bring citywide conventions, meetings, group tours, and individual leisure travel to the area. In addition, the CVC also books sporting and special events in the Dome.

In 1995, the CVC entered into a 30-year lease with the Rams which requires the Dome to be maintained in a "First Tier" status. Every 10 years the Dome is to be evaluated to determine if it meets this status. First Tier status is defined as the facility and each component being on par with the top 25 percent of NFL stadiums. According to the lease agreement, if the facility does not meet First Tier standards on March 1, 2005, and March 1, 2015, the Rams can then convert the lease agreement into an annual agreement. The Rams would then have an annual option to renew the lease with the CVC or negotiate and execute a lease with any party and relocate the franchise at the end of the annual lease term. The CVC uses the preservation funds from the sponsors to maintain the Dome and make any necessary improvements. The Authority's role is to approve and fund the preservation projects and provide general oversight of the preservation funds.

The initial First Tier deadline date was March 1, 2005. The Rams, the CVC, and the Authority entered into a Second Amendment of the lease agreement on September 20, 2007. The agreement, which was intended to satisfy the 2005 First Tier requirements, included using \$30 million of preservation and operating funds for various improvements at the Dome. The improvements were substantially completed by July 31, 2009, and exhausted the majority of the Preservation Fund balance. In addition, the agreement establishes various deadlines which must be met for the 2015 First Tier deadline. Plans for improvements to meet the 2015 First Tier requirements will be negotiated starting in February 2012. If an agreement on the Dome improvements cannot be reached, the matter will be brought to arbitration and a final decision on a plan or combination of plans will be needed to make the required First Tier improvements to the Dome. If the required improvements cannot be implemented by March 1, 2015, the lease will convert to the annual agreement as described above. Currently, there is no



## St. Louis Regional Convention and Sports Complex Authority Background

long-term plan on how to fund future First Tier projects and the preservation funds are only sufficient for general maintenance and preservation over the life of the Dome.

### Authority Commissioners

The Authority is bipartisan and consists of up to 11 commissioners who shall be qualified voters of the state of Missouri and residents of either the city or the county. Up to five commissioners are appointed by the Governor with the advice and consent of the Senate. Up to three commissioners are appointed by the Mayor of the City of St. Louis with the advice and consent of the Board of Aldermen. In addition, up to three commissioners are appointed by the County Executive of St. Louis County with the advice and consent of the County Council. The commissioners serve staggered terms of 6 years and hold office until successors have been appointed and qualified. The commissioners serve without compensation. At December 31, 2009, the commissioners were:

Commissioner	Term Expires
Stephen B. Hoven, Chairman	May 31, 2006 (1)
Anthony J. Soukenik, Vice-Chairman	May 31, 2006 (1)
Thomas J. Irwin, Secretary/Treasurer	May 31, 2012
Jerry M. Hunter	May 31, 2010
Linda Primer	May 31, 2012
Judith K. Doss	May 31, 2012
Richard Sullivan, Jr.	May 31, 2010
Sandra Dew	May 31, 2008 (1)
Paul Lorenzini	May 31, 2010
Rev. Earl E. Nance, Jr.	May 31, 2010
Vacant	(2)

(1) Term expired. Commissioner continues to serve until replaced.

(2) Harriett F. Woods died on February 8, 2007, and the position has remained vacant.

As of December 31, 2009, the Authority employed an Executive Director and an Office Manager to provide various administrative and support functions. Brian McMurtry has served as the Executive Director for the Authority since June 2007. The Executive Director's salary for the year ending December 31, 2009, was \$135,000.

Copies of the Authority's financial statements can be obtained from the Authority.

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# St. Louis Regional Convention and Sports Complex Authority Management Advisory Report State Auditor's Findings

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## 1. Authority Suite

Several issues were noted with the controls and procedures over use of the St. Louis Regional Convention and Sports Complex Authority (the Authority) suite, including food and beverage costs, reporting of lobbying expenses, and the distribution of tickets.

The Authority was established to finance, construct, operate, and maintain a multi-purpose convention and sports facility, the Edward Jones Dome (the Dome). The Authority contracts with the St. Louis Convention and Visitors Commission (CVC) to use and operate the Dome, which includes using the Dome for the home games of the National Football League's (NFL) St. Louis Rams (Rams) football team. By agreement, for each Rams home game, the Authority receives 42 tickets at no cost for the use of one of the Dome suites overlooking the playing field. The Authority maintains a suite usage policy that outlines procedures for ticket distribution and policies for covering food and beverage costs. According to the ticket distribution policy, for each game 22 tickets are allocated to the Authority's Commissioners and 4 tickets are allocated to the Authority staff. The remaining 16 tickets are allocated to the Authority's government sponsors for use in economic and convention client development, with 8 tickets set aside for St. Louis County and the St. Louis City CVC, and the other 8 tickets set aside for the state of Missouri, including 4 dedicated to the Missouri Department of Economic Development (DED). We reviewed the use of the Authority's suite during both the 2008 and 2009 Rams football seasons. The following issues were noted:

### 1.1 Food and beverage costs

Food and beverage costs incurred during the use of the Authority's suite were not fully covered in accordance with policy. During the 2008 football season, expenses for food and beverages served in the suite to attendees on game day totaled approximately \$15,700. Of this amount, approximately \$8,200 (52 percent) was reimbursed by food and beverage charges to ticket users. The remaining \$7,500 was absorbed by the Authority. The failure to recoup the food and beverage costs appeared due to the number of tickets used that were not assessed a food and beverage charge, as well as the amount of the per ticket charge being insufficient.

#### Users not charged

Approximately 30 percent of the tickets used were not assessed the charge for food and beverages. The Authority's policy on use of the suite requires a \$40 charge per ticket to cover food and beverage costs and indicates the service is to be provided on a break even basis, not funded by the Authority. The policy also indicates that an Authority expense account will be used to cover the costs of government visitors and their guests. In practice, the charge is only applied to the Commissioners, Authority staff, CVC staff, and guests of these three groups. Generally, all other visitors and their guests are not charged.



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There are 42 suite tickets available for each of 10 home football games, totaling 420 tickets for the season. Our analysis of ticket usage indicated, on average, 13 tickets were unused for each of the games. Of the remaining tickets, the following table shows the number of tickets used by individuals who paid the food and beverage charge and the number of tickets used by individuals with no food and beverage charge.

Category	Number of Tickets	Percentage
Charged for food	204	70
Not charged for food	87	30
Total	291	100

Our review of the attendance records for the 87 tickets which were not charged for food and beverages noted the following uses:

- Ten tickets to Missouri state and local officials including the Missouri Governor-elect, St. Louis County executive, a State Senator, and their guests.
- Twenty eight tickets to the DED.
- Eight tickets to St. Louis County employees.
- Twelve tickets to Illinois state legislators.
- Five tickets to the Authority's bank trustee, who approves all preservation expenditures for the Authority.
- Nine tickets to the former Executive Director, currently a consultant for the Authority.

In addition, the Authority's General Counsel (a former Commissioner) received 15 of the 87 tickets over three games. According to the Executive Director, for each game attended by the General Counsel the ticket charges were applied on a subsequent invoice by reducing the invoice amount by the ticket charges; however, invoices from the General Counsel did not show reductions for the tickets and the Authority was unable to provide any other supporting documentation to show payment was made.

As noted above, the ticket distribution policy allocates 16 tickets per game to the Authority's government sponsors for the specific purpose of economic and convention client development. The Executive Director indicated because of that reason, the policy allows the Authority to cover the food and beverage cost associated with city, county, and state government sponsor-related tickets. However, the attendance records do not always include the name or position of the uncharged ticket users, making it difficult to



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determine whether the tickets are actually used for valid economic development purposes. For instance, for the tickets used by county employees and the DED, information was not always provided to show how many tickets were used by sponsor officials versus tickets used by guests, if any or the names of the officials and guests. Likewise, the records did not document the names of the guests accompanying the three elected officials previously noted.

It is also unclear how tickets provided to Illinois state legislators, the bank trustee, or the former Executive Director qualified under the no charge exception for government officials performing economic development per the policy. It appears these tickets should have incurred food and beverage charges.

**Insufficient amount**

The amount charged per ticket for food and beverages was insufficient to recoup the cost and the cost analysis performed to determine if the charge should have been adjusted was inaccurate and did not include all food and beverage costs incurred. As a result, public funds were used to cover the excess food and beverage costs. Food and beverage costs for the 2008 season included 6 half kegs of beer, totaling \$1,140.

As noted above, the \$40 per ticket charge generated a reimbursement of approximately \$8,200, or 52 percent of actual food and beverage costs. However, the number of tickets used by paying attendees made up 70 percent of the tickets used on game days. To cover their share of the costs, it appears the paying attendees should have been charged approximately \$54 per ticket for food and beverages, for a total reimbursement of about \$11,000. Pursuant to policy, food and beverage service is not to be funded by the Authority and if at the end of the football season there is an imbalance, the commissioners are to be assessed a prorated charge for each ticket received during the season or be compensated for any overcharge. While a cost analysis was performed to recalculate the appropriate charge per ticket or to determine the imbalance to be prorated to each commissioner, the analysis did not consistently apply data and all food and beverage costs were not considered. For example, service charges and beverage restock fees were deducted from the total cost even though the service charges had already been removed from most invoice totals included in the calculation. As a result, not all costs were included in the cost analysis and some costs were deducted twice. Service charges and restock fees are a part of the food and beverage costs of using the Authority's suite and should be included in the Authority's cost analysis.

Similar conditions were also noted during the 2009 Rams football season. By not charging adequate fees to all appropriate users, Authority funds are unnecessarily subsidizing the cost of food and beverage service. The Authority should reevaluate its policy, further limiting or eliminating the



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number of tickets that will not be charged for food and beverage service. Records of ticket usage should be sufficiently detailed to clearly document the names and affiliations of persons attending, as well as the reasons for not applying a food and beverage charge. The Authority should ensure all food and beverage costs are included in the cost analysis when determining the appropriate ticket charge and if additional charges need to be prorated to commissioners.

## 1.2 Reporting lobbying expenses

The cost of food and beverages provided to Missouri state and local officials at Rams football games was not reported as lobbying expenses. Our review of the Authority's suite usage for the 2008 Rams football season noted three instances where state and local officials attended football games; however, related lobbying costs were not reported to the Missouri Ethics Commission (MEC). Our review noted ten tickets were provided to Missouri state and local officials, including the Missouri Governor-elect, a St. Louis County executive, and a State Senator. In addition, attendance records indicated the DED used 28 tickets during the 2008 football season; however, records did not always identify the persons actually attending. Without such details, it is unclear whether lobbying costs for those tickets were required to be reported to the MEC. A similar condition was noted during our review of the 2009 Rams football season.

In addition, while tickets are provided at no cost to the Authority for use of the Authority's suite, the value of tickets distributed to state and local officials may still be required to be reported to the MEC. The Authority should contact the MEC to determine reporting requirements.

Section 105.473, RSMo, requires that all expenditures made by a lobbyist or lobbyist principals on behalf of state and local officials, their staff, or spouses and dependent children be reported monthly by the lobbyists to the MEC. The expenditures to be reported may include the costs of food, beverages, and the face value of tickets provided to these individuals.

## 1.3 Distribution of suite tickets

Tickets were distributed to some commissioners even though they had not paid the cost for attending previous games as required by policy.

Our review of the Authority's suite usage for the 2008 football season noted several instances in which tickets were issued to commissioners with food and beverage charges outstanding for significant lengths of time. For three commissioners, payments were made between 153 and 261 days after the event and well after the season ended; however, all three commissioners still received tickets throughout the 2008 football season. As previously noted, the Authority's policy on use of the Authority's suite requires the commissioners, Authority staff, and CVC staff to pay \$40 per ticket for food and beverage costs when using the Authority's suite. Policy further requires these ticket charges to be paid within 15 days after the event and tickets to



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St. Louis Regional Convention and Sports Complex Authority  
Management Advisory Report - State Auditor's Findings

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subsequent games are not to be issued to individuals with an outstanding balance. A similar condition was also noted during the 2009 football season.

## Recommendations

The Authority:

- 1.1 Reevaluate the policy regarding the ticket users not charged for food and beverage service, ensure charges are applied when appropriate, and adequately document information regarding each ticket user. In addition, the Authority should ensure the cost analysis performed is accurate and includes all food and beverage costs, and the per ticket charge is adjusted accordingly.
- 1.2 Ensure the costs of any food, beverages, or tickets provided to state and local officials are reported to the MEC as required.
- 1.3 Follow established procedures regarding the issuance of suite tickets and collection of charges for food and beverage costs.

## Auditee's Response

- 1.1 *The Authority has strengthened its ticket accounting procedures, and will diligently monitor all tickets disbursed to ensure full compliance with the Authority's "suite policy." Specifically, the Authority will ensure that appropriate persons are charged for the food and beverage costs associated with usage of the suite. In addition, the Authority will periodically reevaluate its policies and procedures regarding food and beverage charges to ensure that all persons responsible for reimbursement are properly charged, and that the charges for food and beverages are appropriate. Furthermore, the Authority will adequately document information regarding each ticket user. Finally, the Authority will ensure that commissioners cover their pro-rata share of any outstanding food and beverage charges at the end of each season so that no Authority funds are used for the same.*
- 1.2 *The Authority now makes all required reports to the Missouri Ethics Commission. The Authority's lobbyist, Jewell Patek, will report guest attendance in the Authority's suite to the Missouri Ethics Commission when such reporting is required.*
- 1.3 *The Authority will ensure compliance with all of its "suite policy" regulations. The Authority will ensure that no future tickets will be issued unless and until all payments for past tickets have been made within the fifteen (15) days specified in the policy.*



## 2. Expenditures

Controls and procedures over Authority expenditures need improvement. We reviewed 20 disbursements, totaling approximately \$12 million, during the 4 years ended December 31, 2009, and noted concerns with procurement procedures, expenditures allocated to the Preservation Fund, and bids and proposals.

### 2.1 Procurement procedures

The Authority did not ensure a proper and reasonable price was paid for LED scoreboards when reimbursing the Rams for the purchase, totaling approximately \$952,000. In addition, Rams' consultant fees were reimbursed from preservation funds, which are required to be used for repair and replacement costs related to the Dome.

As part of the original lease agreement the Dome and its components are required to be maintained within the top 25 percent (First Tier) of NFL stadiums, with scheduled measurement dates every 10 years. At each measurement date, if First Tier status is not met or an agreement cannot be reached to satisfy the First Tier requirement, the contract changes to an annual renewal option and allows the Rams to execute a lease agreement with any party and relocate the franchise at the end of the annual lease period. The first measurement date was March 31, 2005. Following various extensions and negotiations, the Authority, the CVC, and the Rams entered into a contract amendment in September 2007, agreeing to approximately \$30 million of improvements to the Dome and other costs. As part of these improvements, the Authority agreed to reimburse the Rams from the Preservation Fund for the previous purchase of LED scoreboards installed in 2006, totaling \$952,000. Generally, for improvements to the Dome, the CVC is responsible for procuring goods and services while the Authority has overall approval. Without involvement in the procurement process of the scoreboards the Authority could not ensure the amount paid was a fair and reasonable price.

As part of the agreed costs, the Authority also reimbursed the Rams for consultant fees incurred by the Rams from March 2007 through September 2007, during the negotiation process, totaling \$379,000. The Rams utilized the consultant to analyze the condition of the Dome and improvements needed to meet First Tier status. However, this payment was made from preservation funds. It is unclear how the consultant costs are an allowable use of preservation funds, which are restricted to repair and replacement costs of the physical structure.

### 2.2 Allocation of administrative costs

The Authority allocates a percentage of some operating costs to the Preservation Fund; however, such expenditures do not appear to be allowable expenses of the fund, and the Authority could not provide an explanation or documentation of the basis used to allocate these costs.



St. Louis Regional Convention and Sports Complex Authority  
Management Advisory Report - State Auditor's Findings

According to the Project Financing, Construction, and Operation Agreement between the Authority and the State of Missouri, St. Louis County, and the City of St. Louis (the sponsors), use of the Preservation Fund is restricted to preservation costs, which are defined by the agreement as repair and replacement costs of the physical structure, fixtures, furniture, machinery, equipment, and components of the Dome which are necessary to preserve the physical integrity, value, and use of the Dome. In addition, the Project Financing, Construction, and Operation Agreement indicates general operating expenses of the Authority, including cost of performing its obligations, are to be paid from the Authority's Expense Fund.

We noted the following operating costs were allocated to the Preservation Fund:

Expenditure	Percentage Paid by Preservation Fund	Amount for 4 years ended December 31, 2009
Authority staff salaries	40	\$ 231,987
Certified Public Accounting (CPA) firm	30	30,604
Independent consultant	50	5,263
		\$ 267,854

The Authority staff salaries represent the salary costs for both the Executive Director and the Office Manager. The CPA firm was hired by the Authority to perform various accounting duties on behalf of the Authority, such as record keeping, bank reconciliations, and preparation of annual financial statements. The former Executive Director was hired as an independent consultant to the Authority. According to Authority personnel, the percentages of these costs allocated to the Preservation Fund are based on estimated time spent on preservation related matters; however, the Authority could not provide any explanation or documentation to support the percentages used. The Authority should reevaluate the reasonableness of paying these costs from the Preservation Fund. If determined to be allowable, documentation of the basis and data used to make the allocations should be maintained.

### 2.3 Procurement of professional services

Bids or proposals were not always solicited or retained for professional services acquired, and the Authority does not have a formal policy in place for procuring such services. We noted the following professional services for which competitive bids or proposals were either not solicited or adequate documentation was not retained:

- Financial advisor services, totaling approximately \$71,000, for refinancing the Authority's bonds sponsored by the City of St. Louis, in 2007.



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St. Louis Regional Convention and Sports Complex Authority  
Management Advisory Report - State Auditor's Findings

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- Lobbyist services, totaling \$15,000 per year.
- CPA firm services, totaling \$38,300 during the year ended December 31, 2008.

Authority personnel indicated the CPA services noted above were bid; however, bid documentation could not be located. In addition, bids for preservation expenditures are handled by the CVC and the Authority has not retained adequate documentation of these bids.

Formal procurement procedures provide a framework for economical management of Authority resources and help ensure the Authority receives fair value by contracting with the lowest and best bidders. Competitively procuring services also helps ensure all parties are given equal opportunity to participate in the Authority's business. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids and proposals received and the reasons why a bid or proposal was selected.

## Recommendations

The Authority:

- 2.1 In the future require all improvements to the facility follow normal procurement procedures to ensure a fair price is received and ensure only allowable costs are paid from the Preservation Fund.
- 2.2 Reevaluate the practice of allocating administrative costs to the Preservation Fund and determine whether such allocations are allowable expenses of the fund. If determined allowable, maintain documentation supporting the allocations.
- 2.3 Establish a formal procurement policy for professional services and ensure bids or proposals are solicited and retained. In addition, for preservation expenditures, the Authority should ensure bids and proposals are obtained by the CVC and the Authority should retain documentation of these bids.

## Auditee's Response

- 2.1 *All reasonable steps will be taken to monitor future procurements to ensure that amounts paid are fair and reasonable. Regarding the LED scoreboards discussed in the report, the CVC conducted extensive negotiations with the Rams that resulted in an agreement on the price, which was paid by the Rams and assumed by the CVC, and ultimately, the Authority. As a result, the purchase was not subject to prior review by the Authority. The related consultant fees were necessary to ensure that the planned improvements accomplished the required objective of adding substantial "value" to the venue.*



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Management Advisory Report - State Auditor's Findings

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- 2.2 *The Authority has expressly considered the allocation of administrative costs to the Preservation Fund, and has concluded that the administrative costs directly associated with administering the Preservation Fund are properly allocable to preservation funds. Going forward, the Authority will carefully monitor and document the amount of time spent by any staff (and third-parties hired on behalf of the Authority) on Preservation Fund-related matters to ensure that proper allocations, if any, are made.*
- 2.3 *The Authority agrees that bids and proposals should be obtained when professional services are acquired. The Authority currently decides whether to obtain bids and/or proposals for professional services on a case-by-case basis. The Authority will review and consider adopting a more formal policy regarding the procurement of professional services. In addition, the Authority will carefully document and maintain records of all bids and proposals for professional services acquired and preservation expenditures.*

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### 3. Capital Assets

Authority capital asset records and procedures need improvement. As of December 31, 2009, capital assets of the Authority totaled approximately \$236 million.

The CVC, which handles the day to day operations of the Dome for the Authority, is responsible for maintaining a capital asset listing, conducting an annual physical inventory, and properly disposing of Dome assets. The Authority is responsible for overseeing these procedures and approving any property dispositions. The following issues were noted regarding the Authority's capital asset records:

- The Executive Director indicated a physical inventory had been performed by the CVC; however, records documenting the physical inventory count were not maintained by the Authority.
- The annual capital asset listing includes the current property of the Dome; however, there is no documentation of the items added and disposed during a given period of time.
- Proper authorization from the Authority was not documented to support the disposal of Dome property. The Authority and CVC staff meet monthly to discuss the Dome, at which time the Authority's Executive Director approves items that need to be disposed; however, there is no documentation of this approval.

Adequate capital asset records and procedures are necessary to secure better control over Authority property, and provide a basis for determining proper insurance coverage. The Authority should ensure physical inventories are



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periodically performed and compared to the capital asset records. Inventories of property are necessary to ensure capital asset records are accurate, identify any unrecorded additions and dispositions, detect theft of assets, and identify obsolete assets. A listing of additions and disposals should be maintained to provide the Authority with more assurance capital asset records are complete and accurate. In addition, documentation of approval for the disposition of assets will help ensure assets are properly handled, approved, and recorded in the capital asset records.

## Recommendation

The Authority ensure physical inventories are completed on an annual basis, a listing is maintained of all capital assets added or disposed, and dispositions are properly authorized and documented.

## Auditee's Response

*All inventories are documented, and the Authority will retain documentation of all inventories since 2007, which fully comply with the requirements of the Financing Agreement. Furthermore, a formal Disposal of Assets Policy has recently been adopted by the Authority and the CVC, which was reviewed by the Authority's accounting firm of Schowalter & Jabouri. The "Property/Inventory Disposal or Addition Form" now used by the Authority and CVC provides for accounting of the addition or disposal of bar-coded property, as discussed in the report. The Authority will review and consider further refining of said policy.*

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## 4. Board Supervision

The Authority's Board of Commissioners (the Board) could provide better oversight of the Authority's activities.

The Board employs an Executive Director to provide active supervision, control, and management of the day-to-day operations of the Authority, which includes processing and approving expenditures and other financial related activity. The Board meets approximately four to eight times a year to discuss the Authority and any issues that may impact the Authority or the preservation of the Dome, including personnel issues, contracted services, overall financial activity, and potential or upcoming maintenance and preservation projects. The Board is provided updated summary financial information at each board meeting; however, a detailed listing of expenditures is not included. In addition, supporting documentation for transactions has not been requested by the Board in recent years and there is no documentation the Board has provided any other type of supervision over the activities of the Executive Director. Authority bylaws Article IV, Section 1, provide the Executive Director is subject to supervision by the Board Chairman. We noted the following significant transactions for which the Board did not request or receive detailed supporting documentation for review:



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- Multiple preservation expenditures made to improve and maintain the Dome, including a \$30 million renovation project substantially completed in 2009.
- A credit card held by the Executive Director in the Authority's name and a disbursement account maintained by the Authority; both used to pay for day-to-day administrative expenses of the office without involvement by the bank trustee. Credit card and disbursement account expenditures totaled approximately \$2,650 and \$5,000, respectively, during the year ended December 31, 2009.
- Investment transactions made by a contracted financial advisor are reviewed and approved solely by the Executive Director. While the Board was involved in selecting the financial services provider and establishing the investment policy for the Authority, the Executive Director is responsible for ensuring all investment transactions are within policy.

The staff of the Authority consists of the Executive Director and an Office Manager. Periodic reviews of supporting documentation of transactions by the Board or a designated member would help improve oversight. Without adequate oversight, the Board has less assurance that all assets are adequately safeguarded, and all transactions are accounted for properly, adequately supported, and for reasonable and appropriate uses.

## Recommendation

The Board establish procedures to improve the oversight of the operations of the Authority. These procedures should include timely supervision and, at a minimum, a periodic review of supporting documentation of transactions and the work performed by the Executive Director.

## Auditee's Response

*The Authority has established procedures to permit the oversight of all Authority operations. For example, the \$30 million "Top Tier" fund was thoroughly reviewed by the Board on several occasions, and extensive discussions were conducted to ensure full and complete communication and understanding before any expenditures were made. In addition, Board members are sent quarterly financial reports, which provide detailed financial information regarding the Authority's operating and preservation budgets.*

*The Board is committed to providing more oversight than is mandated in the Authority's enabling legislation. For example, although the Financing Agreement mandates an external audit every two years, the Authority has actually performed annual audits to ensure continued transparency.*



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## 5. Insurance Coverage

The Authority needs to improve monitoring of the Dome insurance coverage. In 1991, the Authority entered into an operating lease giving the CVC responsibility for the day-to-day operations of the Dome, including maintaining adequate insurance coverage on the facility. The Authority annually receives a certificate of insurance from the CVC as proof of insurance on the Dome; however, this certificate only provides a summary of coverage and does not include any details concerning the various levels of coverage or deductibles. Additional documentation is not requested by the Authority for review, according to the Executive Director.

The 1991 Financing Agreement between the Authority and the sponsors of the project (the state of Missouri, the City of St. Louis, and St. Louis County) requires insurance to be maintained against loss or damage by fire, lightning, earthquake, or other risks in an amount equal to the value of the facility. The Authority has a responsibility to ensure the Dome is adequately insured at all times. Issues relating to earthquake coverage of the Dome were noted in our prior audit (Report No. 2003-75, *St. Louis Regional Convention and Sports Complex Authority*, issued July 2003). Without obtaining adequate documentation and implementing proper monitoring procedures, the Authority cannot ensure the Dome is adequately insured as required.

### Recommendation

The Authority should adequately monitor insurance coverage of the Dome, including obtaining detailed summaries of the levels of insurance coverage for the facility.

### Auditee's Response

*Since the last state audit (performed in 2003), the Authority has diligently monitored the annual insurance premiums paid by the CVC, and has proactively requested that the CVC provide insurance summaries in a timely manner. The Authority has also directly communicated to the CVC recently that it must timely provide the Authority with complete sets of all insurance documents, which the Authority will retain for its records.*

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## 6. Closed Board Meeting Minutes

Open meeting minutes typically indicate the meeting was going into closed session, but the specific reason to close the meeting was not always documented. This condition was noted for five of the nine closed sessions held during the 4 years ended December 31, 2009. This issue was also noted in our prior audit report. In addition, for two closed sessions held during 2008, meeting minutes were not prepared or maintained.

The Sunshine Law, Chapter 610, RSMo, requires the question of holding the closed meeting and the reason for the closed meeting be voted on at an open meeting. In addition, the Sunshine Law requires minutes of closed meetings to be taken and retained by all governmental bodies and to indicate the date, time, place, members present, members absent, and a record of votes taken.



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**Recommendation**

The Authority ensure open meeting minutes state the reasons for going into closed session. In addition, ensure minutes of closed meetings are prepared and clearly document all business conducted.

**Auditee's Response**

*Since 2008, the Authority has diligently prepared complete meeting minutes for both open and closed sessions, and has recorded the reason for entering into closed sessions. The Authority remains committed to fully documenting all of its business, transactions, and other activities.*