NICOLE R. GALLOWAY, CPA
Missouri State Auditor

August 12, 2020

Lisa Clancy, Chairwoman, St. Louis County Council
St. Louis County Government Center
Clayton, MO

Dear Chairwoman Clancy:

We have completed our audit report draft of St. Louis County for the two years ended December 31, 2019. The exit conference, which is a closed meeting, has been set for Tuesday, August 18, 2020, at 4:00 p.m., via conference call. The exit meeting is to discuss the draft audit work product; we consider this document confidential. As such, this meeting may be posted as a closed meeting per Section 610.021(17), RSMo of the Sunshine Law which allows "Confidential or privileged communication between a public governmental body and its auditor, including all auditor work product…." The purpose of this exit conference is to review the validity of our recommendations and obtain the responses, which will be included in the report with each of our recommendations. The findings and recommendations addressed to the St. Louis Economic Development Partnership will be discussed with the Partnership and responses will be obtained from them.

Attached is our draft report to be reviewed by the council members. The findings in the Management Advisory Report consist of an explanation of the existing practices and our recommendations. We will review the applicable findings at the exit conference.

Our purpose in sending these drafts is to provide you the opportunity to review the findings prior to our meeting so we can have a better overall discussion.

Because this draft report is confidential and is subject to change, we request you ensure it does not become public knowledge prior to delivery of the official audit report. Please do not distribute to persons not deemed necessary to ensure the exit conference is productive.

If you have any questions, contact me at (573) 522-9079.

Sincerely,

Wayne Kauffman

Wayne T. Kauffman, CPA, CFE, CGAP
Audit Manager

St. Louis County
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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

The following auditors participated in the preparation of this report:

Director of Audits:	Robert E. Showers, CPA
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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 in August 2015. The federal indictment[1] 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 individuals who agreed to donate $2,500 to Stenger each quarter, for a total of $10,000 per year. Rallo agreed to

[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).

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 was established August 5, 2013 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 and St. Louis City, Missouri and their residents. The SLEDP 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 to request the State Auditor perform an independent review of county operations. The State Auditor accepted the request from the council

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

on May 15, 2019. The scope of our audit included, but was not necessarily limited to, the two 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 council meeting minutes and met with the County Auditor to obtain an understanding of actions taken by the council.

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 22 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 IIA standards, and The National Association of State Procurement Officials (NASPO) best practices.

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 longer than 100 days, with the longest being held for 260 days. He held these 13 contracts for an average of 81 days. 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 contracts. For example, 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 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 in which 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 started 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 the project was canceled. According to a letter from Department of Public Works personnel to the former County Executive (CE), 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 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 Public Works Department 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 was 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, 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.

Department of Public Works personnel were unaware 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 contractor selected by bid or proposal. Allowing the County Executive to unilaterally cancel a contract via 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 himself 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 the executive 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 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 the 3 employees from the former County Executive's office left the room twice to discuss the selection and submitted new scoring sheets, which resulted in the selection of the contractor preferred by the former County Executive's office, according to county personnel. In addition, the former Director of the Children's Service Fund, which is an appointed position, scored the contractors similarly to the former County Executive's office employees. The employees added to the selection committee for this contract had no 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 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 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 being circumvented and the County Counselor's office reviewed the lease prior to his department receiving it.

Contributions from developers

The former County Executive received a total of $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.

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."

Request for proposals process abused

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.

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.

Insufficient oversight from the County Council

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 utilize the County Auditor to investigate issues brought to their attention. See MAR finding number 2 for additional information.

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 5), the former County Executive used his position to set the compensation for the former SLEDP CEO. Based on information publically obtained,[4] her annual salary was approximately $131,000, or 45 percent, greater than the salary 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

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.

A test of 23 judgmentally selected contracts, noted 5 contracts with the following issues:

Cardinal Consulting

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 SLEDP. 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 SLEDP contracted with the firm for $130,000.

The federal indictment[7] 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 Consulting's responsive bid to the RFP. Sweeney recommended and urged the Port Authority Board to approve Cardinal Consulting's bid as the winning bid, and the Board followed

[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.

Sweeney's recommendation and approved Cardinal Consulting'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 indictment[9] 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 SLEDP 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 indictment[11] 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 around $1 million.

The former CEO anticipated Wellston Holdings, LLC would be the sole bidder. However, when another bid was received on parcel 1 the former CEO

[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.

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 indictment[14] 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 an aquaponics 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 had been submitted. In addition, appraisals were not

[13] Stenger Indictment paragraph 26.
[14] Stenger Indictment paragraph 26.

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 indictment[16] 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 same 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 these contracts are in the best interest of the organization or taxpayers.

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

[15] Stenger Indictment paragraphs 33, 34, and 35, and Miller Indictment paragraphs 15 and 16
[16] Stenger Indictment paragraph 33.

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 is included at Appendix I.

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 million[17] 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 administrators.

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 adequately execute its oversight by not requesting 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.

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

[17] Dollar amount provided by county personnel.

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, citizens expressed in open forum concern about developer contributions to then County Executive Steve Stenger, the seemingly high cost of the new lease proposal, and concerns with the departure from 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. Of specific concern was the leases do not allow the county an option to terminate and were "triple net" leases, which leaves the County liable for insurance, maintenance, and taxes. 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 competitve bidding for the (Northwest Crossings) leases and that the County obtained an opinion from an outside finanical 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 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. County 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 proposing to the voters to adopt campaign finance restrictions, which did occur, and propose to the voters an amendment to the County Charter which would substantially alter Section 8.050 to prohibit the County Executive from presenting spending proposals within a false budget plan. In November 2018, as approved by voters, the County Charter Sections 8.050, 12.010 and 12.020 were amended to prevent the County Executive from deceptive budget practices and to restrict campaign contributions.

Citizens have placed a fiduciary trust in their elected officials to spend county monies 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 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 which are 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[18]	$ 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[19] for Employees Paid by Other Departments Working within the County Executive's Office	$ 995,031	1,368,912	1,012,502	3,776,445

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.

[18] Annualized Salaries may not reflect the actual amounts paid to employees.
[19] Annualized Salaries may not reflect the actual amounts paid to employees.

2.3 County Auditor

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. 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.[20] 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 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.

[20] 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.

Section 2030 of the IIA Standards states, "The chief audit executive must ensure that internal audit resources are 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,[21] 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.[22]

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 was 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 Institute of Internal Auditors also indicate the County Council should ensure the internal audit

[21] This comment appeared in the Call Newspapers article titled *County auditor's credentials being investigated by Krane*, published March 15, 2017.
[22] Section 2.200 of the St. Louis County Charter allows additional qualifications to be imposed by ordinance.

activity is sufficiently resourced with competent, objective internal audit professionals to carry out the internal audit plan.

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 Code of Ethics and Standards (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.[23] 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 also 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 internal 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.

[23] 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.

Auditee's Response

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

3. 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.

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

The former SLEDP CEO (Sheila Sweeney) and former CFO oversaw the payment of $348,000 in bonus payments 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 which employees were eligible.

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 current 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 $10,000 or greater.

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

Title	Annual Salary	2016 Bonus Paid	2016 Bonus Percent of Annual Salary	2017 Bonus Paid	2017 Bonus 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 Marketing and Government Relations	NA	NA	NA	15,000	13
		$ 120,000		$ 130,000	

Source: St. Louis Economic Development 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 when leaving employment with the SLEDP.

Unauthorized PTO hours

Based on our review of PTO records, 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 Vice President and Chief Operating Officer (COO), 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 this 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.

SLEDP policy[24] 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.

[24] Section VI, Subsection B, of the SLEDP Employee Handbook

Controls over PTO balances in need of improvement

Controls over PTO balances are in need of improvement. While the former CFO abused their 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 $35,771 in compensation from unauthorized, unused PTO. Pursuing repayment of these unauthorized payments 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 J.

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 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 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 officially vote to appoint Sheila Sweeney as the official CEO of the organization.

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 interim[25] 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 current 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 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 to 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.

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

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 the 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 and 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 Time Off Payout	Bonus	Retirement	Total
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 Human Resources Section

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.

Current staff indicated other than the employment agreement with the current CEO, employment contracts were not entered into between the SLEDP and executives from 2014 through 2019. As a result of significant turnover, staff could not provide a description of how employment offers were processed from 2014 through 2019. As of December 2019, job offer letters are sent to prospective employees, and prior to starting employment, prospective employees sign and return the offer letter documenting the basic terms of employment, including the starting salary and any compensation information.

Formal written employment contracts, which clearly define all contractual terms, are necessary 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	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
Vice President 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 6, the bonuses for these 3 employees ranged from 7 to 13 percent of their annual salary. The current 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.

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 discontinued awarding bonuses 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 by not awarding bonus compensation.

Auditee's Response

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

5. County Personnel Policies and Records Need Improvement

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.

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 problems:

- Several appointed employees received a wage increase in their current position during a County Council approved county-wide wage freeze. The test 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 positions have specified qualifications.[26] By not verifying the applicants/employees have those qualifications, the county cannot ensure the charter and ordinance requirements are met. Further, without sufficient employee personnel records, the county personnel department 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 timesheets that were not signed or approved.

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 approved by a supervisor in a timely manner 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

[26] 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.

review of qualifications. Also, establish what the required contents of 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

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

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 Procurement 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 can be easily and accurately evaluated.

For example, in a recent RFP, proposing companies 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. The Acting Procurement Director indicated these problems resulted from the Procurement 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 I.

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 20 judgmentally selected procurement contracts 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, 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 comply. In addition, 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 ECO 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 department's Vice President, General Counsel, Chief Financial Officer, and Chief Executive Officer.

Recommendations

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

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	$	1,710,614		

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	$ 2,239,534		

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	$ 1,845,792		

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
Progam 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	$ 207,531		

[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.

Contract Number	Number of Days Held
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