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CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA, CGMA
Internal Audit Executive

FILE COPY

January 13, 2014

Otis Williams, Executive Director
Saint Louis Port Authority
1520 Market, Suite 2000
St. Louis, MO 63103

RE: Brown & Associates (Project # 2014-CN04)

Dear Mr. Williams:

Enclosed is the Internal Audit Section's report on the contract review of Brown & Associates for the period of July 1, 2012 through June 30, 2013. A description of the scope of our work is included in the report.

Fieldwork was completed on October 24, 2013. Responses to the observations and recommendations noted in the report were received on December 13, 2013, and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Sincerely,

Dr. Kenneth M. Stone, CPA, CGMA
Internal Audit Executive

Enclosure

cc: James Brown, Owner, Brown & Associates



CITY OF ST. LOUIS

SAINT LOUIS PORT AUTHORITY

CONTRACT REVIEW OF BROWN & ASSOCIATES

JULY 1, 2012 THROUGH JUNE 30, 2013

PROJECT # 2014-CN04

DATE ISSUED: JANUARY 10, 2014

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
SAINT LOUIS PORT AUTHORITY
CONTRACT REVIEW OF BROWN & ASSOCIATES
JULY 1, 2012 THROUGH JUNE 30, 2013**

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INTRODUCTION

Background

The contract was awarded to Brown & Associates, hereinafter the Contractor. The contract was approved by the Saint Louis Port Authority. The City of St. Louis Port Authority paid the amount of \$128,930. The Contractor was paid for performing one or more of the following tasks outlined in the Scope of Services below:

- Secure support of federal and local governmental officials to obtain the expertise and information needed for developing projects related to overall economic development and port related issues and projects.
- Monitor federal, state and local legislative developments related to economic development and advise the Port Authority regarding legislative impacting City development efforts.
- Represent the Port Authority with federal, state and local agencies and other public and private groups involved in economic development initiatives to further the overall development goals of the City/Authority.
- Facilitate presentations and meetings with representatives of congressional, federal, state and local agencies pertaining to applications for funding assistance and programs.
- Prepare and present legislative and regulatory initiatives and/or proposals related to economic development to federal, state and local officials.

Purpose

The Internal Audit Section (IAS) selected this contract to review based upon the results of our annual risk assessment. The purpose was to determine if the Contractor complied with the terms, conditions, and various provisions of the contract.

Scope and Methodology

Inquiries were made regarding the Contractor's internal controls relating to the contract approved by the Saint Louis Port Authority. The scope of the review was from July 1, 2012 through June 30, 2013. Fieldwork was completed on October 24, 2013.

Exit Conference

An exit conference was conducted at the Agency on December 6, 2013. The Agency was represented by Otis Williams, Executive Director; Leslie Mitchell-Yancey, Associate City Counselor; Chris Maguire, Accounting Manager; Charlie Hahn, Controller; Nick Nichols, Port Authority Operations Manager.

The Internal Audit Section (IAS) was represented by: Dr. Kenneth Stone, CPA, CGMA, Internal Audit Executive; Chance Key, MBA, CFE, Auditor-In-Charge.

Management's Response

Management's response to the observation and recommendation noted in the report was received on December 13, 2013 and has been incorporated into the report.

SUMMARY OF OBSERVATIONS

Conclusion

The Contractor did not fully comply with the requirements of the Contract.

Status of Prior Observations

This Contractor has not been reviewed by Internal Audit Section (IAS) previously.

Summary of Current Observations

1. Opportunity to ensure compliance with contract agreement.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To Ensure Compliance With Contract Agreement

Contractor had four (4) sub-agreements with four (4) sub-consultants from July 2012 through June 2013. However, the Contractor did not receive prior written authorization, from the St. Louis Port Authority, in order to enter into a written agreement with the four (4) sub-consultants.

Page 4 Section 10 of Contract #63371 states "Except for the services of Rodney Boyd and Paul Kalchbrenner, as provided in Consultant's RFP response, Consultant shall not enter into any sub-agreements to perform the scope of work herein without the prior written consent of the Authority."

Approving sub-contracts without the prior written approval of the Port Authority may result in suspension or termination of the contract. Page 2 Section 4 of Contract #63371 states "The Authority or Consultant may terminate the Agreement at any time for any reason by notice in writing from the terminating party in accordance with Section XVI of the Agreement."

Recommendation

We recommend that the Contractor request written approval from the St. Louis Port Authority concerning the sub-agreements with the four (4) sub-consultants.

Management's Response

In a recent review by the Internal Audit section of the City Comptroller's Office, it was disclosed that, even though we were aware of the subcontractors, St. Louis Port Authority had not given formal written approval for all of the subcontractors.

Therefore, in addition to the two subcontractors listed in the contract, St. Louis Port Authority hereby approves the use of the four additional subcontractors.