



To Honorable County Council  
Honorable Steve Ehlmann, County Executive  
Greg Prestemon, EDC Business and Community Partners President and CEO

January 28, 2019

The Economic Development Center examination opened December 3, 2018 has been completed, and the final report is being issued today. The scope of the review covered contract years 2016-2018 between the County and the Economic Development Center. Fieldwork for the review was completed on December 13, 2018, and our report reflects the results of work performed through that date. Responses were requests for by January 25, 2019 and received by the County Administration on January 7<sup>th</sup> and from the EDC on January 28<sup>th</sup>, 2019.

The objectives of the review were to determine whether internal controls were adequate and effective, operations and records were in compliance with established standards, regulations, policies and procedures, and resources were being used efficiently.

The examination covered the contracted services. We reviewed the internal control environment surrounding those activities, as well as performed an evaluation of the effectiveness and efficiency with which department objectives are being achieved. In addition, reviews for compliance with the County Charter and Ordinances, Missouri Statutes, and internal policies and procedures were performed.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and consisted of examining, on a test basis, sufficient evidence to afford a reasonable basis, for our opinion.

In our opinion, except for the opportunities included in this report, internal controls were adequate and effective, and operations and records were in compliance with established standards.

The issuance of this report completes the formal examination process. However, if you wish to discuss any aspects of the audit or report, please contact me.

*Brent Statler*

Brent R. Statler, CPA, CGAP  
County Auditor

**Attachment**

Copy to Jennifer George, Assistant Director of Administration  
Craig Frahm, EDC CFO



**Economic Development Center  
Examination Report  
Opened December 3, 2018**

Scope: Contract Years 2016-2018

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## *BACKGROUND AND INTRODUCTION*

### **Authority and Activity:**

The County has contracted with the St. Charles County Economic Development Council (EDC), also known as EDC Business and Community Partners, to provide programs for business financing, incubation facilities and services, entrepreneurial training and education, regional marketing, development assistance, counseling and other technical assistance to businesses, and leadership of public policy initiatives working in cooperation with city and county economic development departments and other regional and statewide organizational partners with the goal of new business investment and the retention and creation of private sector jobs in the community.

The Economic Development Center's mission as stated on the EDC website is as follows:

Since its inception in 1990, EDC Business and Community Partners has earned a reputation as “the business growth experts.” Now with more than 25 years of successful experience serving the business community, EDC core services include:

- Startup Assistance
- Providing Business Financing
- Offering Business Counseling
- Coordinating Business Growth and Development
- Promoting St. Charles County to Businesses, Residents, and Tourists

[www.edcscc.com](http://www.edcscc.com)

**Funding:**

The primary funding for the Economic Development Center contract is provided by the general revenue fund. The historical funding for the Economic Development Center is presented below.

<b>Economic Development Center General Revenue Fund – Expenditures Fiscal Years 2013-2018</b>						
<b>Fiscal Year</b>	<b>Operating Expenditures</b>	<b>% Increase</b>	<b>Position Expenditures</b>	<b>% Increase</b>	<b>Total Expenditures</b>	<b>% Increase</b>
2013	\$37,500	N/A	\$0	N/A	\$37,500	N/A
2014	\$50,000	33.3%	\$0	N/A	\$50,000	33.3%
2015	\$55,000	10.0%	\$0	N/A	\$55,000	10.0%
2016	\$55,000	0.0%	\$0	N/A	\$55,000	0.0%
2017	\$55,000	0.0%	\$0	N/A	\$55,000	0.0%
2018*	\$55,000	0.0%	\$50,000	100.0%	\$105,000	90.9%

\* These are the approved budget amounts from the 2018 budget.

**Staffing:**

There are no County employees working for EDC Business and Community Partners.

## **II. STATUS BOARD**

The status board provides a summary of the Economic Development Center’s functions and processes. Each cell located under a function represents an activity that is to be completed to ensure that the process is performed in an effective and efficient manner. The color of the cells represents the assessment regarding completion of the activity. The legend below gives a description of the definition of each color.

- Red indicates management's immediate attention is required.
- Yellow indicates an opportunity for improvement exists.
- Green indicates there is no action necessary at this time.
- Blue indicates a process that was not included in the scope of the review.
- Grey indicates a County issue that should be addressed by management but is not necessarily a direct responsibility of the audited department/office.

<b>Funding, Operating, and Reporting</b>
County budgets funding for the EDC during the annual budget process.
The County enters into a contractual agreement for services with the EDC.
The County remits payment to the EDC within 30 days of the contract signing and receipt of invoice.
The EDC provides agreed upon services.
The EDC provides activity reports to the County indicating the extent of services provided.
The EDC provides an annual presentation to the County

### III. Detailed Findings

#### Contract Performance

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>The EDC is an NFP Corporation, services a one-stop shop for small and medium sized business financing, incubation facilities and services, entrepreneurial training and education, regional marketing, development assistance, and public policy initiative for growth and progress in the community. The EDC works with all governments and in St. Charles County to provide regional marketing services which promote economic development opportunities, quality of life issues, and the attraction and retention of business investment and good-paying jobs in the community. The County provides financial assistance through a signed contract with the EDC to provide certain services and reporting as defined in the contract terms. Starting in 2018, the EDC was to employ a highly qualified business attraction and recruitment professional to supplement any municipal business attraction activities and build relationships with site selectors and appropriate parties. The County provided additional funding for this position.</p>	<p>A review of contract and associated deliverables revealed the following:</p> <ol style="list-style-type: none"> <li>1) Based upon the employment market, the EDC was unable to fill the business attraction and recruitment position during 2018;</li> </ol> <p><u>Note 1:</u> The EDC and County Administration agreed to place the unused funds into a restricted account to use for the position once filled in 2019.</p> <ol style="list-style-type: none"> <li>2) An annual presentation was not given to the County Council; however, the County representative received an annual presentation document in board materials; and</li> </ol> <p><u>Note 2:</u> The contract does not provide details as to what constitutes an annual presentation.</p> <ol style="list-style-type: none"> <li>3) Several annual reporting metrics were approximated based upon actual</li> </ol>	<p>Opportunity for improved documentation and avoidance of any potential contract disputes.</p>	<p>The County should:</p> <ol style="list-style-type: none"> <li>1) Create a written amendment addressing the disbursed but unused 2018 funds, as well as 2019 funding. Items to address include conditions for how funds are to be used and procedures to follow if the position remains open through 2019; and</li> <li>2) Determine if any additional metrics or deliverables would be beneficial and include those items in future contracts.</li> </ol> <p>The EDC should:</p> <ol style="list-style-type: none"> <li>1) Work with the County to determine if an annual written or in-person presentation of activities is required and to whom to present it (Executive and/or County Council); and</li> <li>2) Ensure that figures included in the annual report trace to supporting documentation. If figures</li> </ol>	<p><b><u>County Response:</u></b> The County Counselor’s Office has begun drafting a contract amendment to reflect that the County will be paying the base contract amount of \$55,000 in 2019 and will not be contributing an additional \$50,000 for business recruitment in 2019. The County anticipates the EDC will utilize the funds appropriated, and now restricted from 2018, for this function in 2019.</p> <p>We recognize that with additional funding tied to a more specified activity, that further deliverables and measurable outcomes should be included in the contract. As this change would be more substantive, these metrics will be discussed with the EDC prior to a new contract for calendar year 2020.</p> <p>The County desires an annual update be presented by the Executive Director of the EDC to the entire Governing Body at a meeting of the County</p>

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p><u>Note:</u> The current signed contract covers 2018 and 2019.</p>	<p>workloads.</p> <p><u>Note 3:</u> The EDC has processes in place to track goals and metrics.</p>		<p>are approximated, they should be noted as such.</p>	<p>Council. This clarification will also be discussed with the EDC for a 2020 calendar year contract.</p> <p><b><u>EDC Response:</u></b>  The EDC will work with the County to determine the timing, and content for an annual presentation to the County Council or to the County Executive.</p> <p>The EDC will ensure that the annual report provides documentation that is transparent and supportable by program reports.</p> <p>We also agree that an amendment to the funding contract for 2019 is appropriate, given the carryover of funds from 2018 which are currently in a designated reserve account.</p>