

**Treasurer's Report to the Board of Governors, Leon County Research  
and Development Authority**

**By  
Bob Rackleff, Treasurer, Leon County Research and Development Authority, and  
Chairman, Leon County Commission**

**April 27, 2010**

The following are my findings and conclusions about the alleged embezzlement and our management crisis.

### **Guiding Thoughts**

Innovation Park has great potential for fostering scientific advances and economic development, but has not fully achieved this since its founding in 1980, and it cannot under current circumstances.

Law enforcement and the courts will respond to the criminal allegations against our Office Manager, Shanna Lewis.

The Leon County Commission and the Leon County Research and Development Authority (LCRDA) Board of Governors must respond to the management crisis that made this and other problems inevitable.

### **Findings about the alleged embezzlement**

1. On January 19, 2010, I attended first meeting as an Authority board member, during which I was struck by the absence of any financial activities reports more recent than the end of the previous fiscal year on September 30, 2009. The Executive Director reported that she was not able to provide such timely reports, and that we would have to wait for Ms. Lewis to provide them. It seemed odd that our Executive Director did not have this capability.
2. The next month, the LCRDA board elected me Treasurer, but it was not until the March meeting that I was provided a briefing of our financial activities, which was then current only to December 31, 2009. I repeatedly asked that I have results that were current as of the previous month before each Authority board meeting. I also asked that staff prepare a multiyear spreadsheet to show more clear the timelines of lease expirations, renewals, anticipated capital needs, and other key information.
3. On April 9, 2010, I attended an emergency meeting of the LCDRA board audit committee at the offices of our new auditing firm, Thomas Howell Ferguson, where Jeff Barbacci informed me, board members Carrie Blanchard, Ray Eaton and Tom Barron, and legal counsel Elliott Messer that a criminal background check disclosed that Ms. Lewis had been convicted on August 23, 2001, and served a six-month sentence for grand theft (over \$100,000) while employed by Harrell Roofing, a Tallahassee firm. Mr. Barbacci further disclosed that Ms. Lewis kept key financial documents at her home, including electronic records.

4. Because the documents were incomplete about the circumstances, I asked our county attorney to research the court files, and later that day (still April 9) could read that the grand theft conviction was for embezzlement of \$187,097, and the sentence was for six months in jail, 30 years probation, and restitution of \$67,039, in payments of \$500 per month.
5. Ms. Lewis reported on August 31, 2001, to the Leon County jail to serve her six-month sentence, nights only, beginning at 7 p.m., so that she could remain employed and pay restitution.
6. On October 30, 2001 – only two months after reporting to jail – Ms. Lewis was offered and accepted the position of Office Manager, which included performing all financial activities of the Authority. Her sole submission was a self-created resume, which included no references to Harrell Roofing. There was no criminal background check.
7. On November 6, 2001, Ms. Lewis began as LCRDA Office Manager. For the next four months, Ms. Lewis apparently worked each workday at the Authority and spent each night in jail. Our Executive Director was unaware of this criminal history.
8. While employed here continuously since then, Ms. Lewis made restitution payments of \$500 per month to Harrell Roofing. (Harrell's insurance carrier paid \$100,00 to reimburse part of the loss.) It may be the case that she repaid Harrell with funds taken from the Authority; a more complete audit can establish whether this happened. She completed her restitution payments in late 2008, and Circuit Court Judge Terry Lewis on December 18, 2008, ordered termination of her probation.
9. April 12, our Executive Director stated by telephone with Ms. Blanchard and Mr. Barron that she was unaware of Ms. Lewis's criminal history. Separately, I asked our Executive Director for documents in Ms. Lewis's personnel file to determine when she was hired, what application form she had submitted, and other key information to better understand how a convicted embezzler could be hired in this position as the sole financial officer of the LCRDA. I did not receive this information from our Executive Director until April 21.
10. I was astonished to receive on April 14 an email from Ms. Lewis, with attached agenda for our monthly board meeting on April 20 that made no mention of this serious matter. Let me repeat, the agenda was for a purely routine meeting, despite what we had learned five days earlier.
11. Frustrated by the inaction and lack of information – indeed, I and other board members heard nothing directly from our Executive Director in the six days after Mr. Barbacci's disclosure – I sent on April 15 an email to all LCRDA officers describing the disclosure and made several recommendations, including retrieving all financial records from her home and placing Ms. Lewis on administrative leave until we could determine if any misconduct had occurred. The Tallahassee Democrat disclosed this email the next day online and on April 17 in print.

12. Despite intense public discussion, I heard nothing directly from our Executive Director about implementing the recommendations. With our April 20 regular meeting approaching, I emailed her on April 19 to ask what had been done, and received a reply later that day that she had taken action. I replied that she should have kept informed all board members, especially the Treasurer, on at least a daily basis of her actions about this matter.
13. Our April 20 board meeting was a disorderly shambles, with no effort by our Executive Director to provide guidance or executive leadership.
14. Hearing of no follow-up by our Executive Director, on April 21, I requested by email that Mr. Barbacci provide copies of all Authority checks for the past five years and that he review controls in place for check issuance, reconciliation, and retention.
15. On April 23, I attended an emergency meeting of the Authority's audit committee at Thomas Howell Ferguson in which Mr. Barbacci provided preliminary findings that Ms. Lewis had been writing Authority checks to herself by altering genuine checks made out to vendors and depositing them in her Florida Commerce Credit Union account – then manipulating Authority account records to conceal those checks. The checks included a Photoshop version of Mr. Barron's signature.
16. In the meantime, I still heard little from our Executive Director about corrective actions she had taken. Over the weekend, I asked the Authority chair to call an emergency meeting of the full Board of Governors for Wednesday, April 28. I have since heard of efforts to determine a time of day on either Wednesday or Thursday.
17. At my request, along with Kim Dressel, senior assistant to the county administrator, and I met on April 26 with the Executive Director to determine what had been done. I found that she had no access to our financial records and no capability to perform the daily tasks necessary to continue the operations of the Authority. However, I did receive copies of 11 Authority checks Ms. Lewis had written to herself, all but one in this fiscal year – including the latest, dated March 12, 2010. The 11 checks total \$60,400.08, and the copies were provided by the Authority's bank, Wachovia.
18. Based on that visit, I concluded that our Executive Director is unable to perform her duties at an executive level. That afternoon, I emailed to her my recommendation that she retire, and look forward to the Authority board discussion at our next meeting.
19. Throughout the past two weeks, I have endeavored to act responsibly as your Treasurer to determine staff conduct and financial details so that we as a board can make responsible decisions about the future of the LCRDA. I have also tried to keep the public informed of what is on the public record.

## Financial and Administrative Findings

1. We have reason to believe that as much as \$500,000 has been illegally diverted since October 1, 2007 – an average of over \$16,000 per month over the past 2-1/2 years. Efforts underway to audit earlier years may produce information about further missing sums.
2. Other than knowing our current bank account balances, we have no accurate information about our finances in this fiscal year, which began on October 1, 2009. All information provided by Ms. Lewis is suspect.
3. Our normal financial activities are at a standstill. Outside help is urgent and necessary.
4. As of April 23, we do not know how much our losses are covered by insurance. Our current policy, with the Franklin Agency since October 1, 2009, has a cap of \$50,000 –, as did our policy under our previous carrier, the Croley Agency. Does that mean we can recover a total of \$100,000, one from each carrier? Our legal counsel was not certain.
5. Previous budgets and audits of the LCRDA demonstrate that administrative costs are too high in virtually every area beginning with salaries, legal, public relations and marketing, for example:
  - a. The executive director's salary of \$104,000 is too high for someone whose lacks executive capabilities and performance;
  - b. The budget for legal services, a minimum of \$60,000 per year, is excessive, and has been even higher in some years; and
  - c. The \$55,000 paid to Salter/Mitchell for public relations and marketing is also excessive.
  - d. Other areas ripe for review are payments for planning consultants and the Economic Development Council.
6. County staff are capable of performing many of the above and other functions at no or little cost to the Authority.
7. Several management blunders have been costly to the revenue side of the Authority, such as two 15-year leases executed in 2008 with no escalator clause because staff and chairperson mistakenly believed that state agencies could not sign leases with automatic annual increases in lease payment amounts.
8. Our apparent policy in place now to restrict access to financial documents involved in the apparent embezzlement, adopted without a board vote, violates Florida open records law. Further, it implies that we now depend on the Tallahassee Police Department to solve what are fundamentally management problems that only we can solve.
9. At least two board members, our Executive Director, and legal counsel received a complaint of sexual harassment from Ms. Lewis months ago but did not act on it or even inform the accused board member, failing to follow proper procedures in such cases.

10. After the public accusation by Ms. Lewis against this board member on April 20, no apparent action has been taken by the board leadership, legal counsel, or Executive Director – leaving unanswered an accusation with serious consequences to the member’s reputation and standing in the community. Everything we have learned since then points to a false accusation by Ms. Lewis intended to deflect attention from her apparent crime.

### **Identified problems**

1. Law enforcement can only solve our criminal problem. The Board of Governors must solve our management problem.
2. Our vulnerability to embezzlement began in November 2001, when the Executive Director hired Ms. Lewis as Office Manager without any apparent scrutiny of her past, a failure compounded by immediately entrusting her with all financial affairs, and negligent supervision and oversight for over eight years.
3. In the last few months, our executive director seemed not to understand the financial and budget activities of the Authority, and was unable to perform those activities during Ms. Lewis’s recent lengthy absence.
4. Our Executive Director allowed Ms. Lewis to keep at her home important financial documents, a serious breach of the Executive Director’s fiduciary responsibility.
5. Our annual audits by Sanders Sanders & Holloway over the last decade did not detect financial irregularities. Only when Thomas Howell Ferguson began in 2009 did our auditor detect embezzlement.
6. The Authority’s legal counsel provided advice to keep secret Ms. Lewis’s complaint that a board member sexually harassed her – and not to inform the board member accused of this, or other board members. This was glaringly wrong, violated standard policies of state and local government agencies, and has exposed the Authority to serious legal difficulties.
7. Members of the board brought to the attention of our Executive Director and legal counsel that the lack of escalator clauses in two recent 15-year leases with state agencies would cause substantial lost future revenues. Their assertion that state agencies cannot agree to escalator clauses is known to be incorrect and will cost the Authority hundreds of thousands of dollars in lost future lease payments.
8. Based on recent experience, the board office of Treasurer has been ceremonial at best, with no apparent responsibilities or opportunities to review actual spending and revenues – further weakening financial oversight.
9. The Board of Governors has been insufficiently skeptical of staff promises and performance.

10. Too many important Executive Director duties have been outsourced to vendors who receive excessive payments in exchange for services of limited value to the Authority.
11. Because our finances are in disarray, spending by the Authority must be curtailed immediately and cash conserved for an orderly transition to financial and administrative stability.
12. This criminal and administrative crisis undermines confidence in the LCRDA by tenants, stakeholders, and the public.

### **Recommendations**

1. Adopt fiscal discipline, transparency, and accountability as core values.
2. Without delay, commence a full forensic audit by either the Clerk of Court or competent outside auditors.
3. Linda Nichol森 will announce her retirement and remain only as long as necessary to complete the transition to the interim Executive Director.
4. The board should immediately appoint an interim Executive Director, preferably a senior Leon County administrator, to serve until we hire a permanent one.
5. The board should with all deliberate speed resolve the allegations by Ms. Lewis that a board member harassed her sexually.
6. To cut administrative expenses and conserve cash, the Authority board should immediately review all contracts with outside consultants and vendors and consider terminating them.
7. To assist the interim Executive Director, Leon County will temporarily provide, by way of an interlocal agreement with the Authority:
  - a. Accounting and financial services by county OMB and Clerk of Court staff.
  - b. Legal services by in-house County Attorney staff.
  - c. Public relations services by County PIO staff.
  - d. Permitting and land use change services by county staff.
  - e. Maintenance and improvements services by county facilities management staff.
  - f. MIS services by county staff.
  - g. Other services as needed.
8. The board will conduct a national search for Executive Director with a strong understanding of scientific research and experience as a senior manager in successful university-affiliated research and development parks.

9. Adopt a transparency initiative with the goal of restoring confidence in the Authority, to include:
  - a. Create a truly informative web site that includes full financial information, meeting schedules, minutes, and archived audio recordings, resumes and annual personal financial disclosure statements, lease agreements, and other key documents.
  - b. Convene a “town hall” meeting of tenants and other stakeholders to inform them of corrective measures being taken to ensure continuity and improved services.
  - c. Select board regular meeting sites that are visible and accessible to tenants and stakeholders.
  - d. Provide regular progress reports to the Leon County Board of County Commissioners and the public.
  - e. Strengthen our partnership with Florida State University, Florida A & M University, and Tallahassee Community College.

### **Final Note**

On September 20, 2005, the county commission held a workshop to discuss numerous improvements to the LCRDA as recommended by an expert outside consultant, George Henry George Partners.

The recommendations included many that are similar to those proposed here. Five years after that workshop, almost none of the most important recommendations have been adopted by the Authority.

These workshop materials are attached and can also be accessed at:  
<http://www.leoncountyfl.gov/admin/agenda/Workshops/WS220050920.pdf>