
TO: Keisha Lance Bottoms, Atlanta Mayor
CC: Nina Hickson, Atlanta City Attorney
FROM: Jamala McFadden, ELS
DATE: August 13, 2018
RE: Partners for Prosperity – Executive Summary Investigative Report

Per your request, below is an Executive Summary of findings and recommendations following the conclusion of our investigation involving a \$40,000 payment from Partners for Prosperity (“PFP”) to the City of Atlanta (the “City”).

Introduction

On June 26, 2018, the City of Atlanta, on behalf of the Atlanta Development Authority dba Invest Atlanta Invest, engaged The Employment Law Solution: McFadden Davis, LLC (“McFadden Davis”) to conduct an administrative investigation involving a \$40,000 payment from PFP to the City in March 2018. The law firm of Sidley Austin was initially engaged in late April 2018 to conduct the investigation, and McFadden Davis was later engaged to complete it. McFadden Davis presented its findings orally to the Invest Atlanta Board of Directors during Executive Session on July 19, 2018.

Scope of Investigation

The complete investigation included a total of 24 interviews with Invest Atlanta employees, employees of the current and past mayoral administrations, and current and former members of the PFP Board of Directors. In addition, we reviewed and relied upon material that included, but was not limited to, PFP governing documents; PFP board meeting agendas, minutes and audio recordings of meetings; PFP financial/accounting documents; City of Atlanta Finance Committee and City Council meeting agendas, minutes and video recordings of meetings; employment contracts; non-profit board governance guidelines; and various state and local laws.

Results of Investigation

The investigation found that PFP (the non-profit arm of Invest Atlanta) received a \$40,000 charitable donation from former Mayor Kasim Reed’s distribution account that held salary

amounts he previously declined.¹ The Atlanta City Council approved the donation to PFP in December 2018, as well as two other donations from the same account directed to the Mayor's Youth Scholarship Fund and Howard University.

The investigation found that PFP did not solicit the donation from the City or former Mayor Reed. Rather, former Mayor Reed decided to make the donation to PFP so that PFP could donate the funds to the City to support an April 2017 trip to South Africa Mayor Reed took with other City staffers. According to former Mayor Reed, he received legal and accounting advice regarding the contemplated transactions.

The investigation found that PFP's receipt and disbursement of the \$40,000 to the City² was ratified by the PFP board after the funds were disbursed to the City in March 2018. The PFP board agreed after the fact that the disbursement could be used to defray the cost of the South Africa trip, concluding that the trip satisfied PFP's charitable economic development purposes.

The investigation found that the Invest Atlanta Board of Directors approved the substantive terms of Dr. Klementich's employment contract in September 2017. Former Mayor Reed signed the contract on December 29, 2017 among other contracts he signed that day. The investigation concluded that the timing of former Mayor Reed's signing of Dr. Klementich's employment contract and the distribution of the \$40,000 donation were not connected.

The investigation concluded from its review of the Gratuities Clause of the Georgia Constitution, Atlanta City Charter, and various local ordinances and federal statutes, although perceived and depicted as improper, PFP's disbursement of the \$40,000 to the City did not violate any laws.

Additional Conclusions and Recommendation

The investigation concluded that Eloisa Klementich's actions as a PFP Board member, were not illegal, per se; but her actions did not adhere to board governance standards with

¹ For purposes of background, the Atlanta City Council by Ordinance 12-O-1536 approved salary increases for the positions of mayor and City Council member effective January 1, 2014. Mayor Reed declined the increase. Instead, the Atlanta City Council approved the creation of a distribution account within the budget of the Mayor that would receive the declined portion of former Mayor Reed's salary from which he could make charitable donations benefitting the citizens and the general public in the City of Atlanta (Ordinance 15-O-1592).

² According to two interviewees, it was determined that the City's receipt of the funds did not require legislative action by the Atlanta City Council as the funds were reimbursement of travel costs for deposit into the travel account of the Mayor's budget. We have made no conclusion as to the correctness of that determination in so far as it is beyond the scope of this investigation.

respect to promptly notifying the board of matters involving the receipt and distribution of donations; ensuring board actions were voted on and approved by the PFP board prior to implementation; including all board members in decisions; keeping the PFP board chair sufficiently informed; issuing checks with proper supporting documentation and signature at the time of issuance; and performing duties that may be outside of her role as a PFP Board member. The investigation further concluded that Ms. Klementich's actions blurred the lines between the operations of PFP, the role of the PFP board as directing the organization's purpose, and her role as Invest Atlanta CEO.

Accordingly, we recommend the following with respect to PFP:

- PFP board members should receive training on and adhere to non-profit board governance standards.
- The CEO of Invest Atlanta should not serve on the PFP board given the perceived leadership role that likely would overshadow the role of the PFP board chairperson.³
- PFP should operate under an executed service agreement with Invest Atlanta for Invest Atlanta's provision of "back office" services to PFP, similar to agreements that Invest Atlanta has with other entities to which it provides services.
- The PFP board should be reconstituted with significant consideration to Invest Atlanta's mandatory appointments of two members to the PFP board. Currently, the PFP board does not have the necessary number of members to constitute an active board given the recent resignations of two of the five board members.
- Once reconstituted, the PFP board should hire an Executive Director to perform PFP's day-to-day operations.

³ It is important to note that in September 2015, former Invest Atlanta CEO, Craig Richards, appointed Dr. Klementich and Dawn Luke to the Advantage Atlanta Board (which changed its name to Partners for Prosperity in 2017) because of their respective leadership over the business development and community development components of Invest Atlanta. Dr. Klementich remained on the PFP board after being appointed CEO of Invest Atlanta in 2016.