



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

July 8, 2011

Rhonda Hamm-Niebruegge, Director of Airports
Lambert – St. Louis International Airport
P.O. Box 10212
St. Louis, MO 63145

RE: Retail Concessions Agreement #AL-101 (Project #2011-22)

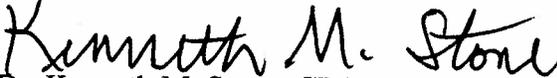
Dear Ms. Niebruegge:

The Internal Audit Section has completed a revenue review of the Retail Concessions Agreement between the City of St. Louis and the Paradies Concessions II- ARCH, Inc., for the period July 1, 2009 through June 30, 2010

Fieldwork was completed on May 11, 2011. This review was made under the 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) 622-4723.

Sincerely,


Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

Cc: Gerard Slay, Senior Deputy Director, Lambert - St. Louis International Airport
Susan Kopinski, Deputy Director Finance and Administration, Lambert - St. Louis International Airport
Henrietta Brown, MBA, Airport Assistant Director Finance and Accounting, Lambert - St. Louis International Airport
James Fox, CPA Airport Audit Supervisor, Lambert - St. Louis International Airport
Robert Salarano, Airport Properties Manager, Lambert - St. Louis International Airport
Don Marek, Senior Vice President/Chief Financial Officer, Paradies Concessions II-Arch, Inc.



CITY OF ST. LOUIS

CITY OF ST. LOUIS

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

REVNUE REVIEW

RETAIL CONCESSIONS AGREEMENT #AL-101

PARADIES CONCESSIONS II ARCH, INC.

JULY 1, 2009 THROUGH JUNE 30, 2010

PROJECT #2011-22

DATE ISSUED: JULY 8, 2011

**Prepared By:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
REVNUE REVIEW
RETAIL CONCESSION AGREEMENT #AL-101
PARADIES CONCESSIONS II ARCH, INC.**

JULY 1, 2009 THROUGH JUNE 30, 2010

EXECUTIVE SUMMARY

Purpose

The purpose of the review was to determine if the Paradies Concessions II Arch, Inc. (Concessionaire) effectively and efficiently managed risks to ensure:

- Accomplishment of concessions agreement's goals and objectives
- Compliance with the terms and conditions of the concessions agreement
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources

Conclusion

During the course of the review of the Concessionaire's operations, Internal Audit Section did not identify and conditions that were considered reportable.

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*.


Dr. Kenneth M. Stone, CPA
Internal Audit Executive


Date

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
REVNUE REVIEW
RETAIL CONCESSION AGREEMENT #AL-101
PARADIES CONCESSIONS II ARCH, INC.**

JULY 1, 2009 THROUGH JUNE 30, 2010

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INTRODUCTION

Background

The Airport's Retail Concession Agreement with Paradies Concessions II Arch. Inc. provides for a wide range of retail products designed to meet the user needs at prices that are attractive and competitive with local prices at Lambert – St. Louis International Airport (Airport) for accommodations to the public. This is the third amendment to the concessions agreement initially executed May 21, 1992. The third amendment extends the contract to January 31, 2013 and required the Concessionaire to pay the City the greater of ten percent of the gross receipts from retail concessions or the minimum annual guarantees (MAG) of \$1,321,440, for the period January 1, 2009 through June 30, 2012. For period July 1, 2012 through January 31, 2013, the MAG will be \$770,840.

Purpose

The purpose of the review was to determine if the Concessionaire effectively and efficiently managed risks to ensure:

- Accomplishment of concessions agreement's goals and objectives
- Compliance with the terms and conditions of the concessions agreement
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources

Scope and Methodology

The review was confined to Concessionaire's internal accounting records and internal controls in order to ensure their compliance with the terms and conditions of the Agreements. Procedures included inquiries of the Concessionaire and Airport management and the limited review of the gross receipts totaling \$8,363,673 from retail concession sales, for the period July 1, 2009 through June 30, 2010.

Exit Conference

An exit conference was not considered necessary since there were no reportable conditions.

OBSERVATIONS

Status of Prior Observations

The Internal Audit Section has not previously reviewed this contract; therefore, there were no prior observations.

Summary of Current Observations

During the course of the review of the Concessionaire's operations, Internal Audit Section did not identify and conditions that were considered reportable.