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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

August 5, 2009

Richard Hrabko, Director of Airports  
Lambert – St. Louis International Airport  
P.O. Box 10212  
St. Louis, MO 63145

RE: Wireless Internet Access System Operating Agreement #AL472 (Project #2008-45)

Dear Mr. Hrabko:

Enclosed is the Internal Audit Section's contract review report of the Wireless Internet Access System Operating Agreement #AL-472 between City of St. Louis and Concourse Communications, LLC, to provide wireless internet access services at Lambert – St. Louis International Airport, for the period May 1, 2007 through June 30, 2008. The audit objectives were to determine if adequate controls were in place to provide reasonable assurance that Concourse Communications, LLC, effectively and efficiently managed risks to ensure:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies, and procedures
- Safeguarding of assets
- Economic and efficient use of resources
- Reliability and integrity of financial information

Fieldwork was completed on October 24, 2008. Management's responses to the observations and recommendations noted in the report were received on June 20, 2009 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*.



CITY OF ST. LOUIS  
**CITY OF ST. LOUIS**

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

**WIRELESS INTERNET ACCESS SYSTEM  
OPERATING SERVICE AGREEMENT #AL-472**

**MAY 1, 2007 THROUGH JUNE 30, 2008**

**PROJECT #2008-45**

**DATE ISSUED: AUGUST 5, 2009**

**Prepared by:  
The Internal Audit Section**



OFFICE OF THE COMPTROLLER  
**OFFICE OF THE COMPTROLLER**

**HONORABLE DARLENE GREEN, COMPTROLLER**

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

A handwritten signature in black ink that reads "Kenneth M. Stone". The signature is written in a cursive style with a large, prominent "K" and "S".

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, Assistant Airport Director, Accounting and Finance  
Robert Salarano, Airport Properties Manager

**CITY OF ST. LOUIS  
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT  
WIRELESS INTERNET ACCESS SYSTEM  
OPERATING AGREEMENT #AL-472  
MAY 1, 2007 THROUGH JUNE 30, 2008**

**EXECUTIVE SUMMARY**

**Purpose**

The purpose of the review was to determine if adequate controls were in place to provide reasonable assurance that the Concourse Communications, LLC, effectively and efficiently managed risks to ensure:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies, and procedures
- Safeguarding of assets
- Economic and efficient use of resources
- Reliability and integrity of financial information

**Conclusion**

Concourse Communications, LLC, is commended for the:

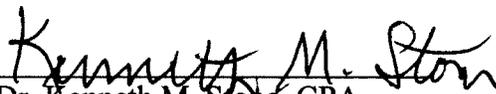
1. Effective monitoring of sub contractors for compliance with the Living Wage Ordinance
2. Timely payment of the City's share of the wireless services receipts
3. Compliance with the Disadvantaged Business Enterprises (DBE) requirements

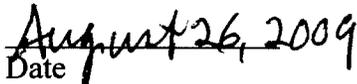
However, the opportunity exists for the Concourse Communications, LLC, to comply with the terms and conditions of the Wireless Internet Access System Operating Agreement. The following observation has resulted from the review:

- Opportunity to ensure Operating Agreement changes are duly authorized and executed

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this 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*.

  
Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

  
Date

**CITY OF ST. LOUIS  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
WIRELESS INTERNET ACCESS SERVICES  
OPERATING SERVICE AGREEMENT #AL-472  
MAY 1, 2007 THROUGH JUNE 30, 2008**

**TABLE OF CONTENTS**

<b><u>Description</u></b>	<b><u>Page(s)</u></b>
<b>INTRODUCTION</b>	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	1
Management's Response	2
<b>OBSERVATIONS</b>	
Status of Prior Observations	3
Summary of Current Observations	3
<b>DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES</b>	<b>4</b>

## **INTRODUCTION**

### **Background**

Operating Agreement #AL-472 (Operating Agreement) entered into between the City of St. Louis and Concourse Communications, LLC (the Operator) to provide wireless internet access services at Lambert – St. Louis International Airport (Airport). The Operating Agreement for wireless services is for five years ending May 1, 2012. The agreement allows for two optional years' contract beyond 2012.

The Operating Agreement provides for the payment to the City the greater of a minimum annual guarantee (MAG) of \$100,000, \$110,000, \$120,000, \$130,000 and \$140,000 in years one through five, or 40% of the gross receipts for fees received from wireless internet access services at the Airport.

### **Purpose**

The purpose of the review was to determine if the contractor has adequate controls in place to provide reasonable assurance of the following:

- The accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies, and procedures
- Safeguarding of assets
- The economic and efficient use of resources
- The reliability and integrity of financial information

### **Scope and Methodology**

The review was confined to the Operator's compliance with the terms and conditions of the Operating Agreement. The review procedures included inquiries of the managements of the Operator, Finance and Reporting, and Contracts Administration sections of Lambert - St. Louis International Airport. A limited test of the gross receipts totaling \$419,314 was performed, on a random basis, for the period May 1, 2007 through April 30, 2008.

### **Exit Conference**

An exit conference was held on Tuesday June 9, 2009, at Lambert – St. Louis International Airport. Jim Janowiak, Vice President-Business Development, represented the Operator. Robert Salarano, Manager, Henrietta Brown, Assistant Airport Director, and Jim Fox, Audit Manager, represented the Airport. Ishmael Ikpeama, Internal Audit Supervisor, and Leonard E. Bell, Jr., Auditor-in- Charge represented the Internal Audit Section.

## **INTRODUCTION**

### **Management's Response**

Management's responses to the observations and recommendations noted in this report were received on June 20, 2009. The responses have been incorporated into this report.

## **OBSERVATIONS**

### **Status of Prior Observations**

Internal Audit has not previously reviewed the Operating Agreement; therefore, there were no prior observations.

### **Summary of Current Observations**

The Operator is commended for:

- Effective monitoring of sub contractors for compliance with the Living Wage Ordinance
- Timely payment of the City's share of the wireless services receipts
- Compliance with the Disadvantaged Business Enterprises (DBE) requirements

However, the opportunity exists for the Concourse Communications, LLC, to comply with the terms and conditions of the Wireless Internet Access System Operating Agreement  
The following observation has resulted from the review:

- Opportunity to ensure changes to Operating Agreement are duly authorized executed

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

**DETAILED OBSERVATIONS, RECOMMENDATIONS  
AND MANAGEMENT'S RESPONSES**

**Opportunity to Ensure Changes to Operating Agreement are Signed and Duly Executed**

The Operator reduced the City's share of the gross receipts for the wireless internet access services for May 2007, by \$15,384. The reduction in the City's share of the gross receipts resulted from the additional costs incurred by the Operator for changes made to the internet-access installation plan of the Operating Agreement. According to the Operator, the City requested and approved the changes. The Operator, however, did not produce any such document to support the City's agreement to bear the cost of such changes.

Section #701, Article VII of the Operating Agreement states that after the contract is approved, the cost of design, construction, improvements and equipment are the responsibility of the Operator.

The Operator did not comply with the terms and conditions of the Operating Agreement.

The City did not receive \$15,384 of the gross receipts due under terms and condition of the Operating Agreement.

**Recommendation**

It is recommended that:

- All changes to the terms and conditions of the Operating Agreement should be supported by the duly signed and executed amendments to the Operating Agreement.
- The Operator repay the City \$15,384, charged for Operating Agreement changes that were not supported by a duly signed and executed amendment.

**Management's Response**

*The Airport management and Operator agree that changes to contract should be supported by a signed and fully executed amendment. However, they do not agree the amount of \$15,384 should be paid back to the City. Per the Operator, installation of additional equipment was requested by Airport management. Airport management confirmed they requested installation of additional equipment by the Operator.*