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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA
Internal Audit Executive

September 1, 2009

Gary D. Bess, Director
Department of Parks, Recreation and Forestry
5600 Clayton Avenue-In-Forest Park
St. Louis, MO 63110

RE: Boathouse Concession (Project #2009-41)

Dear Mr. Bess:

Enclosed is the Internal Audit Section special review of the Boathouse Concession agreement with Catering St. Louis, Inc., (Concessionaire) for the period July 1, 2008 through February 28, 2009. The audit objectives were to determine if the Concessionaire effectively and efficiently manages risks to ensure:

- Accomplishment of established objectives and goals
- Compliance with applicable laws regulations and contractual obligations
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources

This special review was requested by the Director of the Department of Parks, Recreation and Forestry.

Fieldwork was completed on March 5, 2009. Management's responses to the observations and recommendations noted in the report were received on August 26, 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

DEPARTMENT OF PARKS, RECREATION AND FORESTRY

BOATHOUSE CONCESSION

SPECIAL REVIEW

JULY 1, 2008 THROUGH FEBRUARY 28, 2009

PROJECT #2009-41

DATE ISSUED: SEPTEMBER 1, 2009

**Prepared by:
The Internal Audit Section**

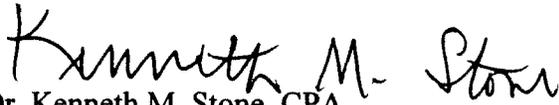


OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

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

Respectfully,


Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Mark Erker, President, Catering St. Louis, Inc.

CITY OF ST. LOUIS
DEPARTMENT OF PARKS, RECREATION AND FORESTRY
BOATHOUSE CONCESSION
SPECIAL REVIEW
JULY 1, 2008 THROUGH FEBRUARY 28, 2009

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a special review of the Boathouse Concession. The purpose was to determine if the Concessionaire effectively and efficiently manages risks to ensure:

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

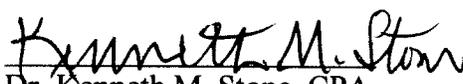
Conclusion

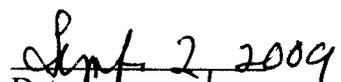
The opportunity exists for the Concessionaire to improve internal controls over operational and fiscal activities and comply with contractual obligations. The following are major observations resulting from the review:

1. Failure to pay rent in accordance with the contract
2. Opportunity to ensure all City-owned equipment is adequately safeguarded

Each of these observations is discussed in more details 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
DEPARTMENT OF PARKS, RECREATION AND FORESTRY
BOATHOUSE CONCESSION
SPECIAL REVIEW
JULY 1, 2008 THROUGH FEBRUARY 28, 2009**

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INTRODUCTION

Background

The Catering St. Louis, Inc., (Concessionaire) entered into a contract with exclusive rights and privileges, to rent boats, conduct indoor and outdoor restaurant operations. The terms of the contract allows the concessionaire to provide catering services for special events at the boathouse and restaurant in Forest Park. The contract expires on June 30, 2013.

Purpose

The purpose was to determine if the Concessionaire effectively and effectively manages risks to ensure:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations and contractual obligations
- 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 operational and fiscal activities at the concession area during the period July 1, 2008 through February 28, 2009. The audit procedures included inquiries of management and staff, observations, reviews for compliance with applicable laws, regulations and contractual obligations. Limited tests of controls and reviews for accuracy of reported revenues, and other procedures considered necessary were performed. Fieldwork was completed on March 5, 2009.

Exit Conference

An exit conference was conducted at Department of Parks, Recreation and Forestry on August 18, 2009. The Department of Parks, Recreation and Forestry was represented by Gary D. Bess, Director and Kathy Sullivan, Special Assistant to the Director. The Internal Audit Section was represented by Olaide Hassan, Auditor-in-Charge

Management's Responses

Management's responses to the observations and recommendations noted in this report were received on August 26, 2009 and have been incorporated into this report.

OBSERVATIONS

Status of Prior Observations

There were no recent prior internal and external audits performed on the Boathouse Concession agreements.

Summary of Current Observations

The opportunity exists for the Concessionaire to improve internal controls over the operational and fiscal activities and comply with contractual obligations. The following are major observations resulting from the review:

1. Failure to pay rent in accordance with the contract
2. Opportunity to ensure all City-owned equipment is adequately safeguarded

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

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

1. Failure to Pay Rent in Accordance with the Contract

IAS review of the final payment made by the Concessionaire to the City in July 2008 for the period January through June 2008 revealed a shortfall of \$15,941. Final payment due to the City based on IAS calculation was \$53,077. The actual payment received was \$37,136.

Inquiries made revealed that the Concessionaire was granted a rent waiver by the Parks Director of \$15,941 for expenditure for Concessionaire on kitchen improvements. The Parks Director authorized a rent abatement up to the amount of \$18,113, for the requested changes at the Boathouse kitchen.

Section 19 (b) of the contract stated that the Concessionaire shall purchase, at its sole cost and expenses, such additional and or replacement and additional equipment for the successful operation of the Concession. The contract also stated that all such replacement and additional equipment so required to be procured during the term of this contract shall be the property of the Concessionaire.

Failure to pay rent due represents non compliance with the contract agreement and revenue loss to the City from the operations of the Boathouse Concession.

Recommendation

IAS recommends the Director collect the sum of \$15,941 from the Concessionaire and deposit the funds in the City Treasurer's Office.

Management's Responses

The Park Department believes that the Concessionaire paid the rent or \$15,941 in the form of improvement to the building. Said improvements shall remain the property of the City. This abatement was made under the previous contract, which expired on June 30, 2008. The present contract provides that the Concessionaire shall be responsible for \$50,000 of capital improvements to the Boathouse over the life of the contract. Furthermore, the Park Department will make certain that any future contracts for the operation of the Boathouse contain specific language regarding the Director's authority relative to rent abatements.

Auditor's Comment

The shortfall of \$15,941 granted by the Director as rent waiver to the Concessionaire should be recovered and be deposited with the City Treasurer's Office. Section 14 (d) of the 2003 contract, which expired in June 30, 2008, stated that the Concessionaire may, at its sole cost and expense, make improvements to the Concession Area subject

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

1. Continued...

to prior written approval by the Director. Furthermore, there was no provision in the contract authorizing the Director to waive rent to the Concessionaire for any purpose.

2. Opportunity to Ensure All City-Owned Equipment is Adequately Safeguarded

None of the equipment listed and traced to their various locations at the restaurant and kitchens carries any tag bearing the name of the City of St. Louis. The City-owned equipment is placed in the same location with other equipment owned by the Concessionaire.

Relevant information which could assist in proper tracking of the City-owned equipment such as model number, serial number, date/cost of purchase (if available) were not included on the listing provided. Tagging of all equipment on the listing will provide positive identification of all City-owned equipment at the Boathouse.

Failure to tag the equipment will make it difficult to identify City-owned property. With the same type of equipment owned by the City and the Catering St. Louis located at the Boathouse kitchens, there may be mixed up when equipment is replaced.

Recommendation

IAS recommends that:

- All the City-owned equipment on the listing and located at the Boathouse kitchen is for positive and proper identification.
- The description of the equipment, model number, serial number, date of purchase and cost of equipment, if available, should be included on the listing maintained for the City-owned equipment.

Management's Responses

The Park Department will take immediate action to complete and maintain a list of all City-owned equipment, model number, serial number, date of purchase and cost of equipment.