



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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Comptroller

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October 7, 2014

Otis Williams, Executive Director  
St. Louis Development Corporation (SLDC)  
1520 Market, Suite 2000  
St. Louis, MO 63103

RE: Terminal Railroad Association – Lease Agreement (Project # 2014-CN15)

Dear Mr. Williams:

Enclosed is the Internal Audit report on the review of Terminal Railroad Association lease agreement. The review covered the period January 1, 2013 through December 30, 2013. A description of the scope of our work is included in the report. Fieldwork was completed on June 19, 2014.

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*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Sincerely,

Mohammad H. Adil, CPA, CGMA  
Internal Audit Supervisor

Ron Steinkamp, CPA, CIA, CFE, CRMA, CGMA  
Internal Audit Advisor

CC: Nick Nichols, Operations Manager, City of St. Louis Port Authority



# CITY OF ST. LOUIS

**ST. LOUIS DEVELOPMENT CORPORATION (SLDC)**

**LEASE AGREEMENT REVIEW**

**TERMINAL RAILROAD ASSOCIATION**

**JANUARY 1, 2013 THROUGH DECEMBER 30, 2013**

**PROJECT # 2014-CN15**

**DATE ISSUED: OCTOBER 7, 2014**

**Prepared by:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
ST. LOUIS DEVELOPMENT CORPORATION (SLDC)  
LEASE AGREEMENT REVIEW  
TERMINAL RAILROAD ASSOCIATION  
JANUARY 1, 2013 THROUGH DECEMBER 30, 2013**

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**CITY OF ST. LOUIS  
ST. LOUIS DEVELOPMENT CORPORATION (SLDC)  
LEASE AGREEMENT REVIEW  
TERMINAL RAILROAD ASSOCIATION  
JANUARY 1, 2013 THROUGH DECEMBER 30, 2013**

**SUMMARY**

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**Background**

The lease agreement was awarded to Terminal Railroad Association (the Lessor) on March 18, 2010, for a period of 10 years with additional three (3) five year options with the annual rental of \$24,604.76. The lease agreement was for the lease of wharf land and mooring rights. The St. Louis Development Corporation (SLDC) is responsible for managing the lease.

**Purpose**

The purpose was to determine if the Lessor complied with the terms, conditions, and various provisions of the lease agreement.

**Scope and Methodology**

Inquiries were made regarding the Lessor's compliance with the terms, conditions, and various provisions of the lease. The scope of the review was from January 1, 2013 through December 30, 2013.

**Conclusion**

The Lessor did not fully comply with the terms, conditions, and provisions of the lease agreement.

**Exit Conference**

The SLDC declined an exit conference.

**Management Response**

Management's response to the Observation and Recommendation noted in the report was received on September 24, 2014 and has been incorporated into the report.

**Status of Prior Observations**

This lease agreement has not been previously reviewed by the Internal Audit Section (IAS).

**CITY OF ST. LOUIS  
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LEASE AGREEMENT REVIEW  
TERMINAL RAILROAD ASSOCIATION  
JANUARY 1, 2013 THROUGH DECEMBER 30, 2013**

**SUMMARY**

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**Summary of Current Observations**

We noted the following observation and opportunity for improvement:

- Non-Compliance with Lease Payment Provision of Lease Agreement

**CITY OF ST. LOUIS  
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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**Non-Compliance with Lease Payment Provision of Lease Agreement**

The lessor made lease payments in 12 monthly equal installments, paid at the beginning of each month, instead of annually in advance in accordance with the lease agreement.

Page 2, Section 3, of the lease agreement states, "An annual rental of \$27,604.76 is payable annually in advance."

The Lessor did not comply with the lease payment provision of the lease agreement.

Lease payments that are not in compliance with the terms of the lease may result in suspension or termination of the lease agreement.

**Recommendation**

We recommend that the Lessor remit lease payments annually in advance, in accordance to the lease payment provision of the lease agreement or request the City to amend the lease agreement in order to remit the lease payment on a monthly basis.

***Management Response***

*We agree with the observation. We will contact the Terminal Railroad Association (TRRA) to comply with the terms of the Lease Agreement. Our Agreements with TRRA contains a total of nine agreements of which eight are Letters of Agreement, which require monthly payments and one Lease Agreement, which requires an annual payment. We will contact TRRA to correct the payment requirement for them to remit lease payments in accordance with the Lease Agreement. Thank you for the observation. An exit conference will not be necessary.*