



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: May 10, 2010
AUDIT: Off Street Parking – Operational Audit of the City's Administration of Imperial Parking's Agreement to Provide Cashiers, Attendants and Supervisors
PERIOD: Contract year starting on August 11, 2008 through August 10, 2009.

In conjunction with our regularly scheduled audit of the professional service agreement with Imperial Parking to provide to provide cashiers, attendants, and supervisors to the City's parking system; we reviewed the City's Off-Street Parking Division's operation as it relates to this service agreement.

INTRODUCTION

On January 3rd, 2008, pursuant to Resolution No. 2007 – 26731, the City Commission directed the administration not to exercise a renewal option with Standard Parking Corporation, the then current Contractor. Instead the administration was directed to initiate a competitive process to select a Contractor that could provide the best possible services, at the lowest possible price to the City. Consequently Request for Proposals (RFP) No. 11-07/08 was issued, and subsequently on April 16, 2009, Resolution No. 2008-26810 was approved, by the Mayor and Commission, authorizing the administration to enter into contract negotiations with the recommended number one ranked proposer, Imperial Parking (U.S.), Inc (Impark). On June 25th, 2008 the Mayor and Commission, through Resolution No. 2008-26839, approved and authorized to execute an agreement with Imperial Parking (U.S.), Inc, pursuant to Request for Proposal (RFP) No. 11-07/08, to provide parking cashiers, attendants, and supervisors for the City of Miami Beach parking system, hereafter referred to as the Contractor. The term of the agreement is three (3) years, commencing on August 11th, 2008 and ending on August 10th, 2011, with two (2) one-year renewal options at the City's sole discretion.

At the May 13, 2009 Commission meeting, the Mayor and City Commission authorized the administration to issue a subsequent Request for Proposal (RFP) to provide parking cashiers, attendants, and supervisors for the City of Miami Beach parking system, based on concerns regarding performance and cost. On May 13th, 2009, the Mayor and City Commission approved issuance of Request For Proposal (RFP) No. 41-08/09. On September 10, 2009 the City Manager presented his recommendation of another company to award the contract after considering the Evaluation Committee recommendation, by conducting his own independent review of the proposals and due diligence with the RFP. The new contract was presented at the January 13, 2010 Commission meeting with an anticipated start date of March 9, 2010.

Among other duties, Imperial Parking's employees are responsible for collecting and reconciling revenue generated by the parking facilities on a daily basis, completing and providing to the City all related supporting documentation and reports, as well as maintaining and/or enhancing an excellent experience for parking users by providing excellent customer service and guidance throughout the

Internal Audit Report
Off Street Parking – Operational Audit of the City's Administration of Imperial Parking's Agreement to Provide Cashiers, Attendants and Supervisors
May 10, 2010

customer's visit to the facility.

The Off-Street Parking Division of the City's Parking Department is responsible for monitoring the quality of the services provided by the Contractor's employees, managing the requests for personnel to the Contractor, and ensuring that appropriate policies and procedures are in place and adhered to in order to protect City assets and best interest, and promote excellence with respect to the services provided.

Invoices are submitted by Imperial Parking to the Parking Department based on the hours worked by each employee, in each position classification, and in each parking facility. Contractor hourly billing rates are \$13.88 per hour for parking attendants/cashiers, and \$16.77 per hour for supervisors. These rates consider Contractor's employee wages and overhead. Hours to be worked by employees in each position are determined by the Off-Street Parking Division management on a weekly basis considering the optimal and most efficient level of employees required to operate the parking facilities. Invoiced hours are then compared to hours requested accordingly. Any exceptions, if any, are then communicated to the Contractor for correction prior to processing payment.

OVERALL OPINION

Although the Parking Department performed their responsibilities to supervise the management of the City's parking facilities satisfactorily during the first contract year, Internal Audit identified operational, procedural, and compliance areas in need of immediate corrections. These areas were as follows:

- Surface lots are being attended regularly without any guidance or criteria and in contradiction to Chapter 106 of the City Code (Ordinance No. 2008-3613).
- There are parking fee rates offered at attended surface lots that are not stipulated on the City's Code of Ordinances and have not been approved by the Mayor and Commission.
- Control weaknesses exist with respect to the implementation, accountability, and enforcement of hourly rates offered at three (3) of the City's attended surface lots.
- Improvements are needed in the review of invoices and time cards by the City.
- No specific contract performance evaluation measures have been established and implemented by the Parking Department to monitor the performance of the agreement.
- Revisions to definitions in Section II D.1. (Page 16 of 44) of the Request for Proposals (RFP) should be considered in the future if the requirement on this section persist for future contracts.

Additional details regarding the above mentioned areas in need of improvement and/or corrections have been provided on the Findings, Recommendations, and Management Responses section of this report.

PURPOSE

The purpose of this audit is to review the Parking Department operations as it relates to the administration of the professional services agreement between the City of Miami Beach and Imperial Parking to provide cashiers, attendants, and supervisors for the City's parking system, as well as to

Internal Audit Report

Off Street Parking – Operational Audit of the City's Administration of Imperial Parking's Agreement to Provide Cashiers, Attendants and Supervisors
May 10, 2010

evaluate controls over the City parking facilities and attended lots as to the administration of the contract.

SCOPE

1. Verify that sufficient controls exist to reasonably assure the reliability, accuracy, and accountability of all revenues collected.
2. Verify that sufficient controls exist to reasonably assure the reliability, accuracy, and accountability of all revenues collected.
3. Verify reasonable reliability and accuracy of invoices to the City from the Contractor.
4. Confirm that policies and procedures are complete, known, and consistently followed by all personnel for the administration of the Contractor agreement.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

1. Finding - *Surface lots are being attended regularly without any guidance or criteria and in contradiction to Chapter 106 of the City Code.*

As stated on the City's official web site, "the City of Miami Beach operates and maintains sixty-four (64) surface parking lots. A majority of our parking lots are equipped with central pay stations. These stations accept cash, credit cards, debit cards, and parking meter cards". The corresponding parking rates and fees applicable to on-street parking, as well as off-street surface lots and facilities are stipulated on Chapter 166, Sec. 166-55 of the City's Code.

Nonetheless, no provisions currently in the Code allows for attending any surface lots in the City unless it is attended for a special event. This exception is documented on Chapter 166, Article II, Division I, Section No. 106-55(L), of the City's Code. According to this chapter, "*the City Manager may establish a special event flat parking rate at all attended garages and surface lots of \$15.00 for special event parking at municipal parking facilities directly servicing a special event. The City Manager may exercise this option for the amount of days of the special event including the day before and the day after the event. In addition, the transportation and parking committee shall consider and make a recommendation upon the application of the proposed flat parking rate for each special event prior to implementation, but such recommendation shall not be binding upon the City Manager. A special event must have, at a minimum, three of the following conditions anticipated in order for the City Manager to exercise this option:*

- a) *A special event is defined as an event on public property sanctioned and permitted by the City's Office of Arts, Culture, and entertainment and/or an event on private property deemed to anticipate the demand for City services set forth in subsections b and d below.*
- b) *A special event with an anticipated demand for parking that will saturate all parking within 1,500 feet of the event, as determined by the parking director.*
- c) *A special event with an anticipated demand for parking that will require supplemental park and ride shuttle service, maps, brochures, and other informational materials and/or ancillary transportation/parking services.*
- d) *A special event with an anticipated demand for City services, including police, fire, and parking, that requires the declaration of a parking emergency by the Mayor and Commission through the passage of an enabling resolution".*

Internal Audit Report

Off Street Parking – Operational Audit of the City's Administration of Imperial Parking's Agreement to Provide Cashiers, Attendants and Supervisors
May 10, 2010

While there may be instances where this practice may generate additional revenues for the City, there are no established guidelines or documentation supporting this. Further, it requires additional hours to be worked by the Contractor and incurs additional costs to the City under the agreement with the Contractor.

Recommendation(s)

The City's Parking Department should review its current policies with respect to attending surface lots throughout the City in order to ensure compliance with City Ordinances. Should the Parking Department decide to continue attending the City's surface lots during any time, other than special events, then criteria and parameters for whether attend the lot or not, and at what rate, should be established and brought before the City Mayor and Commission for approval, approval with modifications, or rejection. If approved, then it should be consistently applied and followed throughout the City.

Management's Response(s)

The Parking Department operates and manages surface parking lots either through metered parking, permit parking, and/or attended parking operations. All facilities identified as attended parking operations comply with the requirements of the Code which is to comply with three of the four established criteria. Currently, all locations with few exceptions that were identified in the finding above have reverted to back to either metered operations and/or permit parking as the demand for parking no longer warrants an attended parking operation. Incidentally, parking demand or variable thereof is a component of three of the four criteria established in the CityCode.

Internal Audit Observation:

Although we do recognize and have been able to confirm a significant reduction of City surface lots being attended subsequent to our audit, the surface lots identified prior to and during our audit as attended were operated without meeting three of the conditions stipulated on the City Code simultaneously.

2. Finding - *There are parking fee rates offered at attended surface lots that are not stipulated on the City's Code of Ordinances and have not been approved by the Mayor and Commission.*

Parking rates, fees, and penalties are promulgated on Chapter 106, Sec. 106-55 of the City of Miami Beach Code to be applied throughout the City, including off-street attended facilities. Currently, there are three different parking rates offered at different attended surface lots in the City that are not included in Chapter 106 of the City's code and therefore have not been approved by the Mayor and Commission. These rates are:

- A two (\$2.00) dollars rate for up to three hours for City of Miami Beach Residents Only
- A four (\$4.00) dollars rate for any patron parking for up to four (4) hours
- A ten (\$10.00) dollars flat rate for patrons parking for the day.

Recommendation(s)

Parking rates and fees not stipulated on Chapter 106, Sec. 166-55 of the City's Code should not be offered at any of the City's Parking Facilities without prior approval by the Mayor and Commission. Any approved changes and/or additions to current parking rates, fees, and penalties should be incorporated as a revision/amendment to the current ordinance (Ordinance No. 2008-3613).

Internal Audit Report

Off Street Parking – Operational Audit of the City’s Administration of Imperial Parking’s Agreement to Provide Cashiers, Attendants and Supervisors

May 10, 2010

Furthermore, considering the weaknesses in controls mentioned in finding number four (4) below, Internal Audit recommends avoiding the implementation of any fee structure applicable to attended surface lots that would provide for payment for hour increments, unless proper equipment and controls are installed and implemented on the facility.

Management's Response(s)

Agreed, all attended parking operations are now compliant with the established parking rates and fees established in the City Code.

3. Finding - *Control weaknesses exist with respect to the implementation, accountability, and enforcement of hourly rates offered at three (3) of the City's attended surface lots.*

Currently there are a total of three (3) attended surface lots in the City offering different fee rate options for patrons parking in those facilities. These lots are located on 17th Street and Washington Avenue (World Symphony lot), on 22nd Street and Collins Avenue (Library lot), and on 46th Street and Collins Avenue. As outlined in finding number 3, two of the rates offered are a \$2.00 dollars for three hours of staying, offered to City residents only, and a \$4.00 dollars for up to four hours, offered to any individual parking for four (4) hours or less. Although not properly documented, articulated procedures by both the City's Parking Department and the Service Provider require for the seller to write on the ticket the time of customer entrance on the bottom portion of the ticket provided to the customer to be displayed on the vehicle's dash board, and also on the top portion of the sold ticket that remains on the seller's ticket book. If the customer decides to stay longer than the hours established, then the seller would have to pursue collection of the remaining amount to complete the flat rate for the entire day (The seller would have to collect \$11.00 for four (4) dollar tickets and \$13.00, for two (2) dollar tickets sold).

Unlike the garages, surface lots are not equipped with appropriate equipment to track the hours of stay for individual vehicles. Also, they are not equipped with barricades at the exit to control the vehicles exiting. Providing these hourly rates is not only an operational challenge, as the employees would have to be constantly walking the lot and keeping accurate time counts for multiple vehicles to ensure compliance, while more Parking Enforcement oversight and presence would be required in the lot (considering that enforcement only walks the lot if asked by the attendants), but also creates control weaknesses for the collection, accountability, and audit trails of revenues collected.

Patrons who pay the two (2) dollars for three hours, or the four (4) dollars for up to four hours could end up parking for the entire day without additional charges, considering that the sellers and attendants can not maintain control of all vehicles entering and exiting at different times without compromising the service level in the lot.

Offering these rates provides a wide opportunity to misappropriate revenues collected in the lot without any trails left behind. A seller collecting the difference of eleven (11) dollars, for four (4) dollar tickets, and/or thirteen (13) dollars, for two (2) dollar tickets, from those patrons staying for longer than the established hours could easily misappropriate the moneys without being noticed. This also provides an incentive for the sellers to sell more of these discounted tickets, as oppose to the flat rate for the entire day.

Another opportunity for misappropriations is available when responsible patrons, who initially purchased these discounted tickets for limited time, return to pay, in order to extend their

Internal Audit Report

Off Street Parking – Operational Audit of the City's Administration of Imperial Parking's Agreement to Provide Cashiers, Attendants and Supervisors

May 10, 2010

hours for parking. Attendants and/sellers could take the moneys and not issue a new ticket. Once again, no trails would be left behind. Even increasing Parking Enforcement's patrol, currently performed only at the request of the sellers and attendants at the lot, would not significantly reduce the risk and exposure or even prevent events like the ones described from happening.

These are just some of the possible scenarios and risks that the City could experience with respect to offering the aforementioned rates on attended surface lots.

Recommendation(s)

Considering the nature of the operations on the City's attended surface lots, current economic conditions, and the weaknesses in the collection, accountability, and operational controls, Internal Audit recommends to cease offering these rates (the two (2) dollars for three hours, the four (4) dollars for up to four hours, and any other rates other than the \$15.00 dollars flat rate already established for special events) at all attended surface lots in the City immediately.

Any rates offered at attended surface lots should be a one time flat rate per visit and should be reviewed and approved by the City Mayor and Commission prior to its implementation. Recommendations from the transportation and parking committee could be considered prior to the implementation of any new parking rate other than the \$15.00 dollars flat rate already established during special events.

Management's Response(s)

Agreed, please see Management Response to Finding No. 3.

4. Finding - *Improvement needed in the review of invoices and time cards by the City.*
Section 3.2 of the agreement specifies that "*the City shall verify time cards and summary sheet calculations and that any discrepancies shall be duly noted and deducted from contractor's invoice*". However, inquiries to City's Parking Department personnel showed that although a few time sheets are being randomly selected for review by the Operations Manager, not all invoices or timesheets submitted by the contractor were being properly reviewed. Tests performed on twenty seven (27) sampled time sheets from one of the six randomly sampled invoices confirmed that corrections to time sheets and/or irregularities due to time tracking equipment limitations were processed without proper approval, initials, name, and signature of a supervisor from Imperial Parking and the City.

Some of the Limitations observed on the Contractor's time tracking equipment included the following:

- The time tracking clock and timesheets can only accommodate one hundred (100) employees at a time. Employing more than one hundred (100) employees requires a duplication of timesheets, which unable the system to differentiate between hours worked by either of the employees.
- Every Saturday at 3:00am the time tracking equipment resets to a new working week/payroll period. Consequently, hours worked by employees starting prior to the equipment re-set, but working past the reset hour, will have their end of shift time stamped on top of already recorded time stamps on their time sheet for hours worked at the beginning of the week. As a result it is almost impossible to identify the times stamped on the timesheet.

All these limitations on the time tracking equipment could impact the reliability and accuracy of

Internal Audit Report
Off Street Parking – Operational Audit of the City's Administration of Imperial Parking's Agreement
to Provide Cashiers, Attendants and Supervisors
May 10, 2010

timesheets, and as a result, the hours billed to the City.

Recommendation(s):

The Parking Department should consider in their review of all invoices provided by the contractor to randomly sample a representative number of timesheets in order to avert any errors or irregularities that may occur. This review should be performed by suitable personnel in order to maintain appropriate segregation of duties. All irregularities must be noted to the contractor upon discovery and corrected prior to processing payment. All changes to time sheets not reflecting a reason and proper approval should be questioned and substantiated in order to maintain a reasonable level of controls and audit trails. Time tracking devices should be upgraded to meet the demands and nature of the day to day operations. The system/equipment should be able to accommodate more than one hundred (100) employees. Also, it should be able to record hours worked involving different payroll periods without incidents.

Management's Response(s)

The Parking Department reconciles the Contractor's invoice for hours by selecting random samples of contract employee time cards. In order to reconcile and confirm each and every contract employee time card additional resources (budgeted positions) would be necessary. Due to budgetary constraints, the Parking Department is not requesting any additional positions at this time; however, we will be mindful of this recommendation at the appropriate time.

In regards to the time recordation issues, the Contractor has reassigned the appropriate number of contract employees to other city facilities for time recordation purposes in order to ensure that no more than 100 employees utilize each time clock. Additionally, the Contractor has been directed to take corrective action regarding the "3:00 AM overlap issue" with their time clocks.

5. Finding - *No specific contract performance evaluation measures have been established and implemented by the Parking Department to monitor the performance of the agreement.*

Other than Section II, D of Request for Proposal (RFP) No. 11-07/08 which requires the Contractor to maintain a daily attendance record of 90%, no other performance standard or measure has been implemented by the City's Parking Department in order to document and provide historical data and behavioral trends on the performance of the services rendered under this agreement. No documentation could be found regarding the policies, procedures, or evaluation methods used to determine the Contractors compliance with other performance areas such as customer service, mystery shopping, reporting of maintenance problems, etc.

Recommendation(s)

Considering that an annual performance evaluation is a requirement for the current service agreement. Adequate performance measures and/or guidance should be implemented as a framework, source for information, and substantiation of the Contractor's performance evaluation.

Management's Response(s)

Agreed, the Parking Department has developed a performance evaluation and checklist of items, including all requirements identified in the RFP (Request for Proposals) and all negotiated points identified in the their Proposal that are reflected in the Professional Services Agreement.

Internal Audit Report

Off Street Parking – Operational Audit of the City's Administration of Imperial Parking's Agreement to Provide Cashiers, Attendants and Supervisors
May 10, 2010

6. Finding – *Revisions to definitions in Section II D.1. of the Request for Proposals (RFP) should be considered for future contracts.*

Absenteeism/attendance is defined in the above referenced section of the RFP as "the number of cashiers, attendants, and/or supervisors scheduled in any facility at the start of any shift". However, current staffing requests by the Off-Street Parking Division do not establish beginning and ending time or scheduled shifts. Instead, they require total hours to be provided for each position at each facility and ensure that an individual is placed for that position in that facility regardless of starting or ending time. As a result, defining absenteeism/attendance using the "start of any shift" does not correlate to current practices.

Also, it is the City's intent to maintain a high quality of services at all times during hours of operations at all City facilities. Consequently, defining absenteeism/attendance, a performance factor, using "at the start of any shift" does not take in consideration employees that may show up at the start of their shift, but leave earlier than anticipated.

Recommendation(s):

Internal Audit recommends revising the current definition of absenteeism/attendance in future RFP/Contracts as follows:

- *Absenteeism/attendance shall be defined as the number of hours requested for cashiers, attendants, and/or supervisors scheduled daily in any facility.*

Management's Response(s)

Agreed, the City has developed new language to be included in future competitive bidding processes for this service.

EXIT CONFERENCE

An exit meeting was held on January 20, 2010 to discuss the audit report and to solicit management responses noted above. Attendees were Charles Adams, Parking Assistant Director, Miguel Beingolea, Off-Street Parking Operations Manager, Rocio Rodriguez, Financial Analyst III, James Sutter, Internal Auditor and Fidel Miranda, Auditor. Management responses were received thereafter and incorporated into this report.

Audit performed by Fidel Miranda, Auditor

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cc: Jorge Gomez, Assistant City Manager
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