



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: April 12, 2010
AUDIT: Parking Garage – Access Cards
PERIOD: October 1, 2006 through September 30, 2009

This audit report reflects the results of a regularly scheduled compliance audit of the parking space rental in the municipal parking garages.

INTRODUCTION

The City of Miami Beach Municipal Parking System is funded in part through public revenue bonds. As stated in Chapter 106, Section No. 106-55(c) of the City of Miami Beach Code, "*facility specific monthly parking in municipal parking garages is available on a first-come, first served, space available basis*".

In an effort to make parking in municipal parking facilities more affordable and accessible to frequent users, the City's Parking Department designed and offers a facility specific monthly parking program that provides consistent users of facilities (residents, businesses, employees from local businesses, etc.) a discounted rate. The discounted monthly fee is \$74.90 including tax, as compared to a maximum daily rate for use over 15 hours of \$20.00 in all municipal garages with the exception of the 42nd Street Garage which is a maximum of \$8.00. Permits are issued by the Parking Department's permit liaison at the offices of the Parking Department. Monthly permits for the Anchor Garage are also sold on the garage premises at a monthly fee of \$107.00 including taxes.

In order to access municipal parking garages under this program, the Parking Department provides an access card, for which the user is charged a \$10.00 deposit in order to protect the department's investment in the card and to encourage proper use and storage of the access card while in the patron's possession. This deposit is refunded if the user returns the access card in good condition, as determined by the Parking Department. In the event that a patron loses or damages the access card, then he/she is required to pay a replacement fee of \$25.00 each time a replacement card is issued.

The access card issued controls the access to the facility and is monitored by an access revenue control system. The access card has a specific number assignment, which should correspond with the account number, name, and vehicle information. Each card is not transferable and authorizes the holder to park one vehicle at a time. Motorcycles and trailers are not permitted.

In addition to the facility specific monthly parking permit program, access to specific parking facilities are granted to City employees that frequently perform work at the parking facilities and/or at City Hall, considering the lack of parking alternatives. The parking department provides each new employee with access to the appropriate facility depending on the requirements and responsibilities of the employee position. Cards provided to City employees are exempt and therefore no deposit or payments are required for these cards. Employee ID cards are utilized in lieu of access cards for

those facilities having separate readers located next to City Hall.

The Parking Department is responsible for monitoring and verifying compliance to program requirements and policies, as well as compliance to the City's Code and Ordinances.

OVERALL OPINION

The Parking Department is responsible for the difficult and overwhelming responsibility of issuing garage specific access cards under the City's monthly parking permit program. Furthermore, they process and monitor monthly customer payments, along with ensuring compliance to City Code and Ordinances among with other responsibilities. Internal Audit identified the following areas in need of corrections with respect to the aforementioned responsibilities:

1. Valet Parking Storage and rates charged for the same are being allowed in disagreement with Chapter 106 of the City Code.
2. Departure from City Code observed with respect to the management of the facility specific monthly parking permit program at the Anchor Garage.
3. There is a lack of controls restricting system access to Consolidated Parking Equipment (CPE) personnel, currently the contractor in charge of the maintenance and programming for the municipal parking facility's ADP equipment and the access card system.
4. Access cards issued to business entities are not vehicle and account specific allowing departures from Monthly Parking program policies and requirement.
5. No procedures are currently documented with respect to issuing and granting of access card monthly parking permits.
6. Documentation is insufficient for approval of some exempt access cards issued.
7. Insufficient reviews and updates are performed to the "issued access cards" database.
8. Reconciliation of access card deposits are based upon estimated users and not on actual users.
9. Un-issued access cards are reflected as issued and active on the Parking Department's Database.

Additional details of our findings and proposed recommendations are included in the "Findings, Recommendations and Management Responses" section of this report.

PURPOSE

The purpose of this audit is to ensure Parking Department's compliance with applicable State, County, and City laws and regulations; verify sufficiency of supporting documentation and records; verify that policies and procedures are written, known, and followed consistently; to verify that proper system controls exist to ensure the reliability and accuracy of data and revenue collections, with respect to the rentals of garage parking spaces and garage specific monthly parking permits.

SCOPE

1. Ensure compliance to City Ordinances, regulations and agreements.
2. Ensure that sufficient controls exist to reasonably assure the reliability, accuracy, and

- accountability of all revenues collected.
3. Confirm that revenue collected is accurately recorded and posted to the City's general ledger, and that sufficient documents for support are maintained.
 4. Ensure that sufficient documentation and approvals are maintained for non-paid exemptions.
 5. Confirm that policies and procedures are complete, known, and followed by personnel.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: *Valet Parking Storage and rates charged for the same are being allowed in disagreement with Chapter 106 of the City Code.*

Chapter 106, Section 106-55(f), of the City Code states that "*The City may provide on an as-needed basis, the ability for a valet service company to rent public parking spaces to accommodate valet parking storage for special events. The parking director shall weigh the impact of each request on the parking area and its users, and shall determine both, the ability to lease spaces, and the number of spaces that may be lease for the special event. The fee per space is \$14.00 per day, payable 48 hours in advance. The daily rate includes applicable sales tax. No additional public parking space rentals for valet storage shall be allowed unless by the action of the mayor or city commission*". For further reference, "Special Event" has been later defined in Section No. 106-55(l) (1).

However, results from our observations and inquiries revealed that there are currently at least four (4) valet parking companies that have been provided with access cards, under the facility specific monthly parking permit program, using the municipal parking garage of their choice for storage purposes without the approval of the City's Mayor and Commission, or a previous approval for a special event. Moreover, the monthly fee of seventy-four dollars and ninety cents (\$74.90), including taxes, is well bellow the required price for valet storage for special events of fourteen (\$14.00) dollars per space per day, consequently in contradiction to the referenced code section.

Recommendation(s):

The Parking Department should implement remediation procedures and processes in order to achieve compliance with all sections of the applicable chapter of the City Code as soon as possible. Any proposed modifications to processes and rates should be presented to the Mayor and City Commission as proposed modifications to the City Code.

Management Response(s):

Agreed. All valet parking storage fees assessed are in compliance with the City's Parking Rate Ordinance.

2. Finding: *Departures from City Code observed*

Facility specific monthly parking permits for the Anchor Garage under the facility specific monthly parking program are being issued by contractor employees (Imperial Parking (U.S.), Inc.) responsible for the garage operations and oversight of cashiers and attendants provided by the contractor. Although well organized and carefully managed, this assignment of responsibilities contradicts stipulations in Chapter 106, Section 106-55 of the City's Code, which mentions that "*permits under this program are issued by the Parking Department's permit liaison at the offices of the Parking Department*".

Internal Audit Report
Parking Garage – Access Cards
April 12, 2010

Recommendation(s):

The Parking Department should implement remediation procedures and processes in order to achieve compliance with the above section of the City Code as soon as possible.

Management Response(s):

The Parking Department is currently transitioning the processing of all monthly access card transactions from contract employees to city employees. This transition shall remain transparent to the user in order to maintain service levels to its users.

3. Finding: *Lack of controls restricting system access to Consolidated Parking Equipment*
Consolidated Parking Equipment (CPE) is currently the contractor in charge of the maintenance and programming for the municipal parking facility's ADP equipment and the access card system. Currently Consolidated Parking Equipment holds unrestricted privileges to access our parking facilities access system without limitations and/or approvals. They can even access the system wireless from remote locations without requiring a granted authorization by the City. These privileges allow the contractor to create facility codes, activate or deactivate access cards, and create new accounts, among other privileges.

Recommendation(s):

The Parking Department should work to implement control filters restricting the access of the contractor to the system without prior authorization and monitoring. Any control implemented should be able to provide audit trails detailing any alterations/changes to the system and the individual involved in the same.

Management Response(s):

The Parking Department will work with the Information Technology department to implement control filters restricting the access of the contractor to the system without prior authorization and monitoring. Any control implemented should be able to provide audit trails detailing any alterations/changes to the system and the individual involved in the same.

4. Finding: *Access cards issued to business entities are not vehicle and account specific, representing departures from Monthly Parking program policies.*
Many sold access cards have been issued under business entity names without requiring any business entity vehicle description including tag number, vehicle identification number (VIN), and/or license plate number. Further inquiries and research showed that in many cases, the cards are being used by employees, contractors, and/or assignees from those businesses therefore transferring the permits and access to the municipal facility to other users.

Furthermore, not properly documenting the permit holder and vehicle information provides an opportunity to create a secondary market for these access cards/permits where a business entity with available access cards and facing financial distress could sublease/rent some of the assigned access cards for a short term at a reasonable rate lower than the short term rate offered by the City, yet higher than the monthly rate, to a third party. As a result, parking revenues for the City could be adversely impacted from the competition of businesses using this practice.

Recommendation(s):

As stipulated on documented policies for the garage specific monthly parking permit program, issued access cards should be nontransferable. To achieve this, all issued cards should be identified to a specific account, a specific permit holder, and a specific vehicle. Access cards

issued to businesses should identify the specific business or employee vehicle that will be using the permit.

Management Response(s):

As stipulated on documented policies for the garage specific monthly parking permit program, issued access cards should be nontransferable. To achieve this, all issued cards should be identified to a specific account, a specific permit holder, and a specific vehicle. Access cards issued to businesses should identify the specific business or employee vehicle that will be using the permit.

5. Finding: *No procedures are currently documented with respect to the issuing and granting for access card monthly parking permits.*

There are no procedures with respect to requirements for issuing access cards and privilege granting currently documented and consistently followed by Parking Department personnel. In addition, there are no guidelines establishing the eligibility and/or the number of permits that can be issued to one entity (business and/or individual) at a time. Also no procedures for issuing exempt access cards, showing the reasons for the permit and the access privileges granted are documented.

Recommendation(s):

The department should create, document, and implement procedures to be consistently followed by all personnel involved in the garage specific parking permits. Procedures and guidelines should incorporate an eligibility and access privilege approval process for all paid and exempt cards issued with approvals from the Parking Director. Approval of the employee's department directors should be included for employee exempt cards issued.

Management Response(s):

Agreed. The Parking Department will develop and issue a policy statement regarding issuance of monthly access cards to eligible customers.

6. Finding: *Documentation is insufficient for approval of some exempt access cards issued.*

Subsequent to reviewing reports listing all issued and active access cards for each municipal parking garage, Internal Audit noted that there were access cards and access privileges granted to City contractors and City employees for which no information justifying the permits and/or the access privileges granted, with the appropriate department director's signature, were available. Examples of permits and/or access privileges provided that were not properly documented included the following:

- a) An Office Associate V was provided with an exempt access card with access granted to all municipal parking garages.
- b) Eight (8) cards with access to different facilities provided to Consolidated Parking Equipment.
- c) Two (2) cards issued to an organization for valet parking with unrestricted entry access to the parking facility located at 42nd Street.
- d) Eight (8) exempt access cards issued to Standard Parking.
- e) Exempt access card with access privileges to more than one location provided to the General Manager of Imperial Parking.
- f) Three (3) exempt cards issued to "Armor", which is probably the armored vehicle from Brinks.

Recommendation(s):

The Parking Department should consider maintaining a centralized filing system where all relevant information related to the issuance and approvals for access cards (particularly exempt cards) are maintained and easily accessible. The preferred system should be automated with documentation being scanned. In addition, the department should prevent and/or minimize the number of exempt cards issued to contractors and contractor employees to prevent potential costs resulting from damaged and/or lost cards, as well as misuses of the same. Access privileges granted under these cards, and the number of cards issued should be restricted and scrutinized by the Parking Department Director to prevent providing excessive number of cards and access privileges accordingly. Placing expiration dates of these cards should be explored. Any exempt access card unnecessarily issued should be requested to be returned and made invalid as soon as possible.

Management Response(s):

The Parking Department identified this as an issue late last year (2009) and as a result developed a procedure and form to issue, track, and reconcile all exempt monthly access cards on a monthly basis. In regards to the findings, the following justification and/or actions have been taken:

- a. Access card was restricted to one facility (City Hall Garage).
 - b. These cards are issued to CPE Technicians to identify, troubleshoot, and correct any gated equipment issues that may arise.
 - c. Two (2) access cards were issued in lieu of valet parking runners using transient mag-stripe tickets.
 - d. All eight (8) access cards issued to Standard Parking have been deactivated.
 - e. Chester Escobar is Imperial Parking's General Manager (GM). As GM, Mr. Escobar requires access to all municipal garages as he is responsible for monitoring and addressing any issues that may arise at any parking garage.
 - f. Three (3) access cards were issued to Security Alliance (security contractor) to provide security services at all municipal garages.
7. Finding: *Insufficient reviews and updates to the "issued access cards" database of the parking facility access system (ScanNet).*

Although information for payments from permit holders are being frequently updated on the parking Permit Software, which is the system used to record financial information and payments for the program, Internal Audit found issues in relation to outdated access card information on the parking facility access system (ScanNet), a second system compatible with equipment installed in the facilities for access, that compromise the reliability of the data, as well as the access controls to the corresponding garage. Issues observed included the following:

- a) There were at least seven City employees that show multiple active access cards. Additional inquiries with the Off-Street Parking Division suggested that it could be the result of replaced cards, as a result of lost/stolen or damaged cards that were not made inactive at all parking facilities immediately after replacement.
- b) There were at least seventy nine access cards with Status "DELQ", which stands for delinquent account. However, this status does not prevent the card from opening the gates at the parking garage.
- c) There are at least twelve active exempt access cards for former City employees and elected officials that were not made invalid immediately after their departure.
- d) There are at least seventy three duplicate access card identification numbers with multiple

card status under the 7th Street Garage.

Recommendation(s):

The Parking Department should perform a detailed review of all access card information in its parking facility access system's database for each of the City's parking garages in order to correct and update its records. Lost cards by employees should be made invalid at all parking garages, as well as duplicate cards and multiple cards issued to the same employee. Only one card should be valid for each City official, whether elected or not, and/or employee at all times. Also, all access cards with a "DELQ" status should be reviewed to verify whether payment has been received for them; otherwise their status should be changed to invalid. In the future, steps should be taken to prevent using the "DELQ" status on the parking facility access system for access cards.

Lastly, all currently active exempt access cards for former City employees, and elected officials should be made invalid immediately.

Management Response(s):

The Parking Department identified these issues last year (2009) and developed a comprehensive policy and procedure to record, track, and reconcile monthly access card database. As a result, all findings, including items A, B, C, and D have been addressed.

8. Finding: *Accountability and reconciliation of access card deposits.*

Every time an access card is issued, it is required for the cardholder to pay a ten dollars (\$10.00) deposit that helps to protect the City's investment on the cards in case that the card is never returned. However, Internal Audit confirmed that no monthly reconciliations are being done for these actual deposits. In addition, deposits are not being identified to a particular card and/or account. Instead, at the end of each fiscal year, the department accounts for all access cards that are active at fiscal year end and ensure that sufficient funds in relation to the number of active cards are available in the deposit account. This process makes no regards to access cards that may be temporarily inactive due to activation delays, monthly payment delays, and or system failure, among other probable scenarios. Annually at fiscal year end, an analysis is performed by the Parking Department where accumulated deposits for active cards remain intact on the deposit account. However, only forty percent (40%) of deposits received for access cards showing as inactive / invalid is maintained and sixty percent (60%) is recognized as revenues for that year. Internal Audit inquired as to the rationale behind the sixty percent (60%) revenue recognition, however no response was provided. Furthermore, there are no documented guidelines establishing a maximum period of time for which inactive access card deposits would be held without being recognized as revenue.

Recommendation(s):

Deposits received for issued access cards should be recorded and documented to the corresponding account. In addition, reconciliations should be documented and performed periodically to the deposit account and to the two systems, the financial and parking facility access systems (ScanNet), in order to ensure the accuracy, reliability, and correlation of the same. In addition, policies and procedures identifying a maximum period of time for which an account can be inactive, without losing its deposit should be formulated, documented, implemented and distributed to all employees and cardholders to be consistently followed and monitored. Once a card is invalid for periods longer than the established reasonable time, then the department can assume the card will not be returned and the deposit should be recognized as revenue.

Internal Audit Report
Parking Garage – Access Cards
April 12, 2010

Management Response(s):

The Parking Department in conjunction with the City's Finance Department conducts an annual reconciliation of all access card deposits. 100% of all active access car deposits and 40% of all "delinquent" account deposits are retained for potential disbursement. All other funds are recognized as revenue.

Internal Audit Observation:

While we recognize management's reasons for estimating the deposits on an annual basis, we feel that this is only an estimate and does not reflect the actual deposits outstanding. Also, the basis used (40%) for delinquent account deposits is not documented.

9. Finding: *Un-issued access cards are reflected as issued and active on the Parking Department's Database.*

There are currently about 9,982 un-issued access card numbers that show as issued and active for the 13th Street and Collins Avenue parking garage. These cards show on the database as issued to one local business that currently holds access card accounts for that facility. However, according to parking department staff, not all of the 9,982 access card numbers represent actual cards issued to that business, instead, most of the numbers were created as a result of an inadvertent error made in the system.

Recommendation(s):

The Parking Department should perform a detail review of these access cards numbers and accounts as soon as possible in order to delete all fictitious card numbers created as a result of this inadvertent error. Only accounts that have been paid for should be left active.

Management Response(s):

The incident was also identified by the Parking Department shortly after it took place and it was corrected.

EXIT CONFERENCE

An exit meeting was held on February 9, 2010 to discuss the audit report and to solicit management responses noted above. Attendees were Saul Frances, Parking Director, Charles Adams, Parking Assistant Director, Grady Martinez, Senior Administrative Manager, Miguel Beingolea, Parking Operations Manager, Rocio Rodriguez, Financial Analyst III, James Sutter, Internal Auditor and Fidel Miranda, Auditor. Management responses were received shortly thereafter. All were in agreement with the contents of this report.

(Audit performed by Fidel Miranda, Auditor)

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cc: Jorge Gomez, Assistant City Manager
Saul Frances, Parking Director
Charles Adams, Parking Assistant Director