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BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Kathie G. Brooks, Interim City Manager
FROM: James J. Sutter, Internal Auditor

DATE: October 2, 2012
AUDIT: First Class Parking, LLC Valet Parking Operational Audit
PERIOD: Tuesday November 29th through Sunday December 4th, 2011
(Design Miami and Art Basel Miami Beach 2011)

This report is the result of an audit of First Class Parking, LLC's valet parking operations conducted during Design Miami and Art Basel Miami Beach 2011 between November 29th and December 4th, 2011 and selected provisions in their signed concession agreement with the City.

INTRODUCTION

The seventh annual Design Miami was held in a specially constructed tent located in the northwest corner of the Miami Beach Convention Center parking lot at the intersection of Meridian Avenue and 19th Street. The fair opened on November 29th and continued to operate concurrently with Art Basel Miami Beach 2011 from November 30th through December 4th.

Art Basel Miami Beach 2011 was held at various City locations (Convention Center, Bass Museum of Art, New World Center, etc.) combining an international art show with an exciting program of special exhibitions, parties and crossover events including music, film, architecture and design. Record event attendance was reported to exceed 50,000 with many patrons using the convention center valet parking services provided by the City's concessionaire called First Class Parking, LLC.

The City Commission had directed the Administration to negotiate a professional service agreement with First Class Parking, LLC pursuant to their responses to the 07/16/08 issued Request For Proposal No. 40-07/08. As a result, City Resolution No. 2010-27214 was adopted authorizing First Class Parking, LLC to perform management and operation of valet parking services at the Miami Beach Convention, the Fillmore Miami Beach at the Jackie Gleason Theater and other City properties between 10/01/10 and 09/30/13 with one additional two year renewal option possible solely at the City's discretion. The concession agreement covers a multitude of issues including monthly fixed minimum rental payments, required insurance coverage, signage, performance bonds, property maintenance, etc.

The following table compares the number of valet parked vehicles by day during the past five audited Art Basel Miami Beach events (Art Basel Miami Beach 2009 was not audited as it was not included in the approved annual audit plan):

Event Days (Actual Dates Vary)	2006	2007	2008	2010	2011
Tuesday	N/A	N/A	N/A	96	82
Wednesday	635	781	746	805	794
Thursday	340	583	360	453	444
Friday	610	655	521	528	618
Saturday **	670	735	471	683	706
Sunday	620	461	475	522	467
Total	2,875	3,215	2,573	3,087	3,111

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- * Design Miami was not held in Miami Beach prior to 2010 so its valet parking operations were not listed above in years 2006 to 2008.
- ** The Modern Art Museum or MAM Ball was held at Hall C of the Miami Beach Convention Center on Saturday 12/09/06 thereby utilizing the concessionaire's valet parking services.

OVERALL OPINION

The City's valet parking concessionaire First Class Parking, LLC faced a difficult task in satisfying Design Miami and Art Basel Miami Beach 2011's valet parking needs due to the daily time certain event ending, the volume of vehicles and the limited availability of parking spaces. Other than Wednesday's Vernissage event and Thursday's early evening period, Internal Audit believes that the concessionaire in conjunction with the City's Parking and Police Departments performed commendably.

However, despite the successes there are still areas in need of improvement prior to the staging of Art Basel Miami Beach 2012. A majority of these issues arose because of the time constraints associated with Vernissage (a preview of the art exhibit before its formal opening) and the difficulties in transitioning to the new valet software. Shortcomings in the following areas were noted during testing and are described further in the section entitled "Findings, Recommendations and Management Responses".

- Logistics,
- Concessionaire personnel,
- Supplied employees' names and drivers' licenses,
- Parking spaces and lots,
- Turnaround times,
- Automated valet system,
- Performance bond,
- Monthly concession payments,
- Insurance
- "Pending" previous occupational licenses/business tax receipts, and
- Posting revenues.

PURPOSE

The purpose of this audit is to determine whether the concessionaire complied with selected terms in their signed concession agreement aimed at providing timely and quality professional valet services to Design Miami and Art Basel Miami Beach 2011 attendees.

SCOPE

1. Confirm that First Class Parking, LLC has complied with selected criteria outlined in the signed concession agreement. Examples of areas tested include monitoring VIP parking and the rates charged, assessing the performance of assigned staff toward valet patrons, etc.
2. Confirm through observations that the concessionaire has implemented sufficient internal controls in their valet parking operations and followed valet parking guidelines established by

the City.

3. Confirm that the concessionaire is current with their business tax receipts and has maintained sufficient insurance and performance bond levels.
4. Confirm that the concessionaire's monthly payments to the City are timely received and correctly recorded in the City's Financial System. If not, were late charges billed and collected in accordance with the signed concession agreement.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding – Logistics

Art Basel Miami Beach 2011's attendance of 50,000 was the largest to date as the event continues to gain in popularity. Additionally, Design Miami concurrently staged their seventh annual event, which was held for the second consecutive year in the Miami Beach Convention Center's preferred parking lot, also saw their attendance increase. With these overlapping and popular events comes a need to improve traffic flow and parking as attendees prefer to park as quickly and as close as possible. Given the events' inherent limitations, the study of logistics grows in importance.

The following logistic shortcomings were observed during Design Miami and Art Basel Miami Beach 2011 and are in need of corrective action prior to next year's scheduled event(s):

- a. The Design Miami Tuesday (11/29/11) valet ramp's entrance was partially blocked by a roll-off dumpster thereby making it more difficult to locate and potentially dangerous for those desiring valet service.
- b. Once implemented, the planned procedures to improve traffic flow worked well with the creation of the roundabouts, the placement of the cones connected by colored ribbons, the positioning of Parking and Police Department employees, the strict enforcement of taxi regulations by County employees, etc. However, many of these procedures were not ready upon the opening of Art Basel Miami Beach 2011 and taxis, shuttles, vehicles, etc. improperly benefited until they became fully functional at approximately 2:30pm on Wednesday (11/30/11).
- c. Attendees wishing to retrieve their valet parked vehicles were required to first submit their tickets at the valet kiosk by Hall D, pay the associated \$20 fee and then proceed to the tent located on the west side of Convention Center Drive for pickup. In return, these concessionaire employees would then either input the customers' ticket numbers into the concessionaire's automated system (if functioning properly) or call the lot attendants via radio with the information.

This scenario, along with the lack of signage, most likely contributed to the several occasions were noted whereby valet patrons proceeded to the vehicle pick-up tent rather than going first to the valet kiosk. After waiting unnecessarily and becoming agitated, these individuals would then make inquiries and learn of their mistake. Conversely, some customers did not promptly proceed to the pick-up area resulting in the valet runners being forced to wait with the retrieved vehicle and occasionally having to return the vehicle to one of the lots.

Recommendation(s):

The implementation of the following recommendations should help improve the logistics for next year's scheduled event(s):

- a. The entrances to the valet ramps should always contain proper signage and be clearly visible in advance to drivers to help reduce the possibility of accidents.
- b. All planned traffic flow procedures and staffing levels should have been fully implemented prior to the opening of Art Basel Miami Beach 2011.
- c. The valet kiosk should contain appropriate signage to help reduce future vehicle retrieval misunderstandings. Although difficult, concessionaire staff should also try and more clearly communicate to patrons as to the exact location of the pick-up area which differs from the drop-off area.

Concessionaire's Response:

The Concessionaire concurs with the Auditor's findings and above-listed recommendations and continues to proactively work with Parking Department staff, Convention Center management, and the event organizer's to continue to improve operations.

With respect to the specific recommendations, the Concessionaire notes the following:

- a. Valet ramps currently have signage denoting the availability of valet service. The Concessionaire will work with Parking Department staff and Convention Center management to place signage at locations that will serve to enhance patron awareness and, thus, reduce the possibility of accidents.
- b. We concur that planned traffic flow procedures with staffing by Parking and Police Department personnel greatly enhanced service levels and safety through the enforcement of regulations and reduction in resulting conflicts.
- c. The Concessionaire will work with Parking Department and Convention Center staff to identify signage types and location that will help to reduce patron confusion. Within the limited time available at the initial point of contact with patrons, the Concessionaire will work with its staff to succinctly communicate the exact location of the vehicle retrieval area.

City's Response (Parking Department):

The City's Parking Department agrees with the above recommendations (a, b and c) and will ask the City Public Works and Planning Departments for guidance on the appropriate signage to enhance traffic flow and service levels.

2. Finding – Concessionaire Personnel

The concessionaire (First Class Parking, LLC) employed a total of fifty-two people at various times and days to handle the events' valet parking needs. Although properly attired in uniforms and observed acting courteous to customers over the five days tested, concessionaire personnel were observed performing the following deficient actions:

- a. VIP parking is an industry accepted practice that is not addressed in the signed concession agreement whereby customers request and are willing to pay a premium for quick curbside service. The Parking Department allows this practice but does not want the concessionaire to negotiate with the customer as it is up to the patron to

choose the amount they are willing to pay for the added service.

Accordingly, the concessionaire's staff was repeatedly overheard stating to inquiring VIP customers "The cost is \$20 plus whatever extra that you want to pay." More troubling was when a customer on Friday (12/02/11) was overheard complaining that she was previously told that the cost for VIP parking is \$100.

- b. On Friday (12/02/11), a VIP customer's keys were maintained by the valet runner (a concessionaire employee responsible primarily for providing excellent customer service as he/she takes possession of customers' vehicles, parks them in secured lots and then retrieve and delivers these vehicles back to their owners upon request) rather than being given to the valet ramp supervisor for safekeeping with the others. As a result, the customers' keys are more likely to be lost and it will typically take longer for the runner to deliver the vehicle as he may be busy elsewhere. In fact, the aforementioned VIP customer complained vehemently about paying \$100 and having to wait so long for her vehicle that she received an \$80 refund from concessionaire management.
- c. Piles of empty water bottles and other litter accumulated during Thursday (12/01/11) at the concessionaire's attended station in the 5C parking lot located at the northeast corner of 17th Street and Convention Center Drive. Although cleaned before the end of the day, these unsightly piles accumulating on top of a perimeter wall were visible to the public.

Recommendation(s):

The implementation of the following recommendations regarding concessionaire personnel should help improve future performance and labor relations with the City:

- a. The concessionaire should follow the directions specified by the City's Parking Department and not negotiate or state the cost for VIP parking.
- b. Valet runners should always return customers' keys to the designated storage site to help decrease the possibility that they may be lost and to help provide faster turnaround times thereby increasing customer satisfaction.
- c. Concessionaire work areas should always be kept clean.

Concessionaire's Response:

- a. The Concessionaire disagrees with the Auditor's recommendation with respect to VIP Parking. Concessionaire believes that much of the resulting dissatisfaction experienced by some VIP Parking patrons stems from the lack of clarity with respect to the cost of this service as a result of the existing policy. The existing policy results in a rather awkward discussion between patrons and Concessionaire staff, with patrons that agree to pay more than another patron left feeling dissatisfied. Rather than continue the existing policy, Concessionaire would recommend that a VIP Parking fee be established so that transaction between patrons and Concessionaire's staff is transparent.
- b. Concessionaire agrees with the Auditor's recommendation.

- c. Concessionaire agrees with the Auditor's recommendation and will ensure that such debris piles are disposed of at more regular intervals throughout the day of an event.

City's Response (Parking Department):

The City's Parking Department agrees with all recommendations (a, b, and c) and will work closely with the concessionaire to ensure that the recommendations are implemented.

Internal Audit Observation:

The concessionaire is requesting a change to existing policy by adding a separate VIP parking fee. While this may improve the operational position of providing an enhanced service to the valet patron, the City's agreement specifies one rate for valet parking. If a separate VIP rate is later warranted, then an amendment to the agreement would be required.

3. Finding – Supplied Employees' Names and Drivers' Licenses

In an effort to comply with Miami Beach City Code Section 18-311, the concessionaire provided the Parking Department with the names and drivers' license numbers of fifty-two employees working during Design Miami/Art Basel Miami Beach 2011 according to their supplied Employee Sign In and Out Sheets used for payroll purposes. However, this listing was not received until 12/15/11 which was eleven days after the conclusion of the events instead of prior to their commencement.

Internal Audit's review of these concessionaire submitted drivers' licenses found the following shortcomings:

- Four drivers' licenses had expiration dates prior to the events' commencement with the oldest being 08/07/10.
- A New York drivers' license and two Maryland drivers' licenses were provided for three concessionaire employees when the City Code specifically requires that it be a valid Florida drivers' license.

Internal Audit subsequently entered the forty-nine concessionaire employees' furnished Florida drivers' license numbers into the State's website to discover that all were valid and that none had expired. Apparently, the concessionaire did not submit the most recent drivers' licenses for the aforementioned four employees which had expired prior to Design Miami/Art Basel Miami Beach 2011. Finally, we were not able to confirm the validity of the three non-Florida drivers' licenses but they were not expired.

Recommendation(s):

The concessionaire should furnish employee rosters and their accompanying drivers' licenses to the Parking Department by the fifth of each month or receive the \$25 daily fine addressed in City Code Section 18-311(4). Although more restrictive, the City's Parking Department should try and obtain the concessionaire's employee information at least seven days prior to the Design Miami/Art Basel's commencement so that they can approve the workers in advance.

Concessionaire's Response:

The Concessionaire agrees with the Auditor's finding and recommendation and will cooperate with the Parking Department to process employee information in advance of future events. We would note, however, that the error rate (assuming that the non-Florida drivers' licenses were, in fact, invalid) was approximately five percent (5%).

City's Response (Parking Department):

The City's Parking Department will enforce and ensure that no concessionaire employees are permitted to work that are not on the accepted list with names, picture identification and valid Florida drivers' licenses.

4. Finding – Parking Spaces and Lots

The concessionaire exclusively parked their customers' vehicles Tuesday (11/29/11) through Friday (12/02/11) in the 5C surface lot and the Miami Beach Convention Center's north loading dock. Meanwhile, they used the Miami Beach Senior High School's bus ramp and parking lots and the Rabbi Alexander Gross Hebrew Academy's parking lots on the weekend when school was not in session. Their stated goal was to restrict valet parking storage to the same general areas during each day to simplify delivery and retrieval for the runners.

Testing performed during Design Miami and Art Basel Miami Beach 2011 found the following parking space and lot shortcomings:

- a. The Miami Beach Convention Center's north loading dock was not initially made completely available on Wednesday (11/30/11) as numerous storage containers were parked there which hindered valet parking space availability. All the promised spaces were made available during the remaining days of the events thereby facilitating valet parking operations.

Therefore, the City's 5C lot was primarily used to valet park vehicles on Wednesday (11/30/11) which limited availability and required the concessionaire to be creative in finding parking spaces. Further complicating matters was that City employees and unionized dockworkers hired by Global Spectrum also parked here during normal working hours. Despite several warnings given to the dockworkers prior to the events and Wednesday morning informing them not to park in this lot, approximately thirty did so thereby resulting in Parking Enforcement being summoned and citations issued.

- b. Although the 5C lot's entrance was guarded with a concessionaire's security employee, he was repeatedly confronted by individuals trying to enter the valet parking restricted storage areas during the work week thereby blocking traffic on Convention Center Drive. Additionally, there was no signage present stating "Valet Parking Only" which further confused the public.

Recommendation(s):

The implementation of the following recommendations should help make valet operations run better for next year's slated events:

- a. The north loading dock should have been made completely available to the concessionaire from the opening of Art Basel Miami Beach 2011. Also, greater precautions should be taken to help ensure that the unionized dockworkers do not park their personal vehicles in the valet lots so that it does not impact the concessionaire's operations, increase the possibility of accidents, etc.
- b. Proper signage should be prominently displayed at each lot's entrance to help avoid misunderstandings to keep out unauthorized individuals and to help improve traffic flow.

Concessionaire's Response:

- a. Concessionaire agrees with the Auditor's findings and recommendations, since every year Art Basel guarantees the North loading dock as overflow storage. However, Art Basel logistics does not succeed on making this happen and thereby forcing the concessionaire into having to deal with last minute issues. Therefore, the City's 5C lot was the primarily valet parking storage for all vehicles during the Art Basel event. The concessionaire has always experienced complications with unionized dockworkers hired by Global Spectrum.
- b. The concessionaire agrees with the Auditor's findings and recommendations, but would suggest that signage be placed at all locations whereby prospective patrons can be advised of the unavailability of the 5C Lot in advance of arriving at each lot entrance.

City's Response (Parking Department):

The City's Parking Department agrees with recommendation (a) and will work with Global Spectrum and Art Basel to ensure the agreed upon valet storage spaces are available. In regards to recommendation (b) signage will be developed and implemented to increase notification to users and protect reserved areas.

5. Finding – Turnaround Times

The Parking Department previously established a goal of twenty minute turnaround times which Internal Audit carried forward to Design Miami and Art Basel Miami Beach 2011 as a means to consistently measure the concessionaire's performance. A turnaround time equals the amount of time elapsed from when a valet customer submits his claims ticket to the time that his/her vehicle is delivered. Internal Audit calculated turnaround times daily at various intervals during the events to help provide a representative sample with the table below showing the total daily number of tested turnaround times and the percentage of those completed within the listed five minute incremental periods:

	11/29/11 Tuesday	11/30/11 Wednesday	12/01/11 Thursday	12/02/11 Friday	12/03/11 Saturday
Number of Tested Daily Turnaround Times	13	176	92	90	131
Average Daily Time *	3.85	8.86	11.50	6.44	5.94
% 5 minutes below	84.62%	20.45%	36.96%	44.44%	54.96%
% 6 – 10 minutes	15.38%	53.98%	27.17%	45.56%	41.22%
% 11- 15 minutes		19.32%	9.78%	8.89%	1.53%
% 16 – 20 minutes		3.98%	6.52%	1.11%	1.53%
% Over 20 minutes *		2.27%	19.57%		.76%

* Less turnaround times can be measured during times when valet service is slow as Internal Audit has to continue to monitor the attendee(s) until they receive their vehicles. As a result, the above percentages may be skewed accordingly.

As shown by the table above, the most difficult turnaround period occurred late afternoon/early evening on Thursday (12/01/11) despite being one of the lower valet count days which the concessionaire attributed to communication shortcomings with the lot attendants after the web based automated valet system (addressed in finding #6) stopped functioning. As a result, lot attendants were called by radio to send customers' vehicles but

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unknowingly not all requests were confirmed resulting in sporadic service as some customers waited excessively while others only waited approximately ten minutes. Meanwhile, the highest individual turnaround time was experienced on Wednesday (11/30/11) due to such factors as overlapping events and the large volume of vehicles valet parked within a short time period during Vernissage's three hour opening from 6pm till 9pm. Yet, as shown in the following tables, turnaround times were significantly better than in previous years due to the closing the valet ramp to new customers at 7:30pm, better planning and logistics, etc.

However, one problem encountered during Vernissage was that the concessionaire did not have sufficient administrative staff at the white tents outside of Hall D where valet customers had to submit their valet ticket, pay the associated \$20 fee, wait for their ticket number to be sent to the lot attendants and then be instructed where to retrieve their vehicle. As a result, customers were waiting upwards of twenty minutes in a lengthy line just to submit their ticket and to begin the process. Yet, this additional time was not recorded in Internal Audit's calculated turnaround times so as to be consistent with prior years.

The following four tables showing the results from the 2006, 2007, 2008 and 2010 audited events respectively (the 2009 event was not included in the approved annual audit plan) are provided for comparative purposes only:

	12/06/06 Wednesday	12/07/06 Thursday	12/08/06 Friday	12/09/06 Saturday	12/10/06 Sunday
Art Basel Average Daily Time	7.74	6.23	6.56	11.11	8.93
<i>% 5 minutes below</i>	26.1%	53.8%	35.8%	11.1%	22.5%
<i>% 6 – 10 minutes</i>	52.2%	38.5%	54.3%	50.0%	57.5%
<i>% 11- 15 minutes</i>	17.4%	0%	6.2%	22.2%	10.0%
<i>% 16 – 20 minutes</i>	4.3%	7.7%	3.7%	13.9%	7.5%
<i>% Over 20 minutes</i>	0%	0%	0%	2.8%	2.5%

	12/05/07 Wednesday	12/06/07 Thursday	12/07/07 Friday	12/09/07 Sunday
Art Basel Average Daily Time	16.00	7.79	8.74	8.61
<i>% 5 minutes below</i>	6.76%	20.00%	9.76%	0.00%
<i>% 6 – 10 minutes</i>	28.38%	63.43%	68.29%	94.44%
<i>% 11- 15 minutes</i>	28.38%	14.29%	15.85%	5.56%
<i>% 16 – 20 minutes</i>	13.51%	1.71%	4.88%	0.00%
<i>% Over 20 minutes</i>	22.97%	0.57%	1.22%	0.00%

	12/03/08 Wednesday	12/05/08 Friday
Art Basel Average Daily Time	10.39	5.92
<i>% 5 minutes below</i>	33.33%	44.79%
<i>% 6 – 10 minutes</i>	44.44%	55.21%
<i>% 11- 15 minutes</i>	8.33%	0.00%
<i>% 16 – 20 minutes</i>	0.00%	0.00%
<i>% Over 20 minutes</i>	13.89%	0.00%

	11/30/10 Tuesday	12/01/10 Wednesday	12/02/10 Thursday	12/03/10 Friday	12/04/10 Saturday
Number of Tested Daily Turnaround Times	32	101	66	60	104
Art Basel Average Daily Time *	4.84	11.74	5.26	10.90	7.41
% 5 minutes below	81.25%	46.53%	71.21%	40.00%	19.23%
% 6 – 10 minutes	18.75%	29.70%	25.76%	21.67%	72.12%
% 11- 15 minutes	N/A	3.96%	1.52%	16.67%	7.69%
% 16 – 20 minutes	N/A	5.94%	1.52%	13.33%	N/A
% Over 20 minutes *	N/A	13.86%	N/A	8.33%	.96%

Recommendation(s):

Although there is still room for improvement, overall turnaround times other than 11/30/11's Vernissage and 12/01/11's late afternoon/early evening hours were acceptable as a majority of monitored customers' vehicles were retrieved within ten minutes. However, the concessionaire should continue to try new approaches to further reduce customer's waiting times in the future. One recommended item is for the concessionaire to staff more administrative employees, especially near daily closing times, at the white tents outside of Hall D where customers submit their valet tickets to help expedite the vehicle retrieval process.

Concessionaire's Response:

The Concessionaire concurs with the Auditor's findings and remains committed to continued improvement of its vehicle retrieval times. Concessionaire will work proactively with the Parking Department staff to identify new approaches to further reduce customer waiting times, including the Auditor's recommendation.

6. Finding – Automated Valet System

In summary, section 27(iii) of the signed concession agreement requires the implementation of an automated valet system by the concessionaire to be completed and operational by April 1, 2011. Final implementation shall be conditioned on the completion of the previously agreed upon site modifications to City owned property which was to be decided upon by January 1, 2011.

It was noted that the concessionaire had successfully implemented their automated valet system during Design Miami/Art Basel Miami Beach 2011. This web based system allowed lot attendants tasked with managing vehicle inventories to log in the ticket number, the names of the valet runners parking and retrieving the customers' vehicles, the vehicles' description, etc. Upon the customers' request to have their vehicles returned, the corresponding ticket numbers would be entered into the automated system thereby identifying the lots where they were parked and then alert the attendants to dispatch runners to retrieve the vehicle. When functional during Internal Audit's testing, this simplistic automated valet system appeared to work well.

Unfortunately, the automated valet system was frequently either working intermittently or not functioning at all during Wednesday (11/30/11) and Thursday (12/01/11). Concessionaire management claimed that it was due primarily to their laptop computers' reliance on air

cards which would often lose their signal and system connectivity because of outside interference. Subsequent inquiries with the City's Database Administrator found that the concessionaire may be able to help improve connectivity by upgrading their air cards from 3G to 4G, selecting a better phone carrier, running cables and hardwiring the sites (with City and Convention Center approval), etc. After continuous efforts by the concessionaire, they were able to make the automated valet system functional for the remaining days of the event which helped improve turnaround times and reduce confusion.

Recommendation(s):

The concessionaire should continue to strive to improve the connectivity of their automated valet system which therefore should also help reduce turnaround times, improve customer satisfaction levels, etc.

Concessionaire's Response:

The Concessionaire concurs with the Auditor's findings and recommendations. Issues related to the deployment of the automated valet system were the subject of discussion between the Parking Department staff and the Concessionaire during a meeting on March 30th which consisted of an annual review of the concession agreement. At that meeting, the Concessionaire presented a request to the Parking Department staff that on-site facility modifications are needed for the system deployment (specifically, running cables and hardwiring the sites) be initiated by the City, at its cost, pursuant to the terms outlined in Section 27.ii. of the concession agreement. Such improvements will enhance system reliability and eliminate the prospect of future service disruptions that occurred at varying times throughout the event.

City's Response (Parking Department):

The City's Parking Department agrees with the recommendation and will work together with Global Spectrum to provide the concessionaire with hardwired internet connectivity.

7. Finding – Performance Bond

Section 12 of the signed concession agreement paraphrased requires that a \$13,500 performance bond be held by the City's Chief Financial Officer throughout the term of the agreement which started on 10/01/10. Similar inquiries during last year's audit found that only a \$2,000 performance bond under the name of the concessionaire's predecessor (Gold Star, Inc.) was allegedly being held at a local bank from a prior City agreement. Communications between the Parking Department and concessionaire's representative suggested that the holding bank will not release the bond without a letter from the City, who has no record of the bond and is unwilling to provide the needed release. Verification of the \$2,000 performance bond's existence was requested several times but none was provided. For this year's audit, verification of the \$2,000 bond's existence was received, however; no further actions were taken as the concessionaire still has not obtained the \$13,500 performance bond in adherence with section 12.

Recommendation(s):

The City's Parking Department should cooperate with the concessionaire in having the prior \$2,000 Gold Star, Inc. performance bond released. In the interim, a new \$13,500 performance bond from First Class Parking, LLC should be immediately provided to the City. If not obtained promptly, the Parking Department should explore such other options as placing the concessionaire in default, terminating the concession agreement, etc.

Concessionaire's Response:

The Concessionaire agrees with the Auditor's findings, but respectfully disagrees with the Auditor's recommendation. During the aforementioned annual review held with Parking Department staff on March 30th, this issue was discussed. Parking Department staff and Concessionaire have agreed to explore modifications to this contract provision, as the Concessionaire has regularly advised department staff the innumerable conditions of default currently in the contract render it uninsurable.

City's Response (Parking Department):

The City's Parking Department is addressing this issue with the City's Procurement Department and Risk Manager to determine a mutually acceptable resolution, such as an alternate financial instrument in lieu of a performance bond that would serve the same purpose.

Internal Audit Observation:

This matter should be either resolved in a timely manner or the concessionaire should be required to comply with the agreement.

8. Finding – Monthly Concession Payments

The signed concession agreement requires First Class Parking, LLC to remit equal monthly payments of \$14,355.85 (which includes \$939.16 in state sales tax) by the fifteenth of the month or be subject to 18% interest. Subsequent testing showed that 57.14% or eight of the fourteen payments made between October 2010 and November 2011 were received after the due date ranging from a low of 2 days for December 2010 to a high of 16 days for October 2011.

As a result, the Parking Department charged the concessionaire 18% interest for each of eight months' payments received after the due date. Yet, the interest was incorrectly calculated on the total payment amount received of \$14,355.85 instead of \$13,416.66 (\$14,355.85 - \$939.16 state sales taxes) as the concessionaire was charged interest on the state sales tax portion.

Furthermore, an Office Associate IV in the Parking Department records all concessionaire payments received in an Excel schedule. If any additional monies such as interest are due, then an internally prepared monthly payment schedule is mailed notifying the concessionaire as to the amount owed rather than creating a City Bill in the City's Financial System. Consequently, there is a greater likelihood that these monies owed could be overlooked than if an accounts receivable balance is created in Eden thereby better documenting the amount owed.

Finally, the Parking Department is currently placing all concessionaire interest payments received into the miscellaneous general ledger revenue account of 480-8000-369999 instead of an earned interest account such as 480-8000-361390 entitled "Interest – Other". The net result is that the miscellaneous revenue account is overstated and it is more difficult to calculate the amount of interest received in a given fiscal year.

Recommendation(s):

For all late payments received from the concessionaire, the Parking Department should create City Bills in the Eden System to charge the concessionaire interest to facilitate monitoring. Also, the 18% interest should only be calculated on the \$13,416.66 amount and not on the state sales tax portion. Also, the \$20.38 overpaid to date should be credited

against another month's interest due or deducted from the next monthly payment. Finally, all subsequent interest payments should be consistently entered into this same general ledger account going forward.

Concessionaire's Response:

The Concessionaire agrees with the Auditor's findings and has no comment with regard to its recommendation.

City's Response (Parking Department):

The City's Parking Department agrees with the above recommendation.

9. Finding – Insurance

Section 9 of the signed concession agreement requires that the concessionaire maintain at its sole expense the following insurance coverage throughout the term of the agreement:

- Commercial General Liability or Garage Liability insurance in the minimum amount of coverage of \$1,000,000 per occurrence and per location covering bodily injury and property damages resulting from the valet parking operation.
- Garage Keepers Legal Liability insurance to provide collision and comprehensive coverage for vehicles under control of the valet parking operation with minimum coverage limits of \$300,000 per location and a maximum self-insured retention or deductible of \$1,000.
- Workers Compensation and Employer's Liability as required meeting with statutory requirements of the State of Florida.

Although it was determined that the concessionaire had properly submitted their current insurance policy certificates to the Parking Department, they were not subsequently forwarded to the City's Risk Manager for approval as required by the concession agreement and City Code Section 18-310(1)c. Fortunately, the concessionaire's insurance policy was approved for sufficiency by the Risk Manager but this may not always hold true and it could increase the City's risk exposure accordingly.

Recommendation(s):

The Parking Department should promptly forward all received concessionaire insurance policies to the Risk Manager for his review. Any noted deficiencies should be immediately corrected to better protect the City.

City's Response (Parking Department):

The City's Parking Department agrees with the above recommendation and will ensure timely delivery of insurance documents.

10. Finding – "Pending" Previous Occupational License/Business Tax Receipt Balances

First Class Parking, LLC purchased a majority interest in Gold Star Inc. which was initially granted through the City Commission's adoption of Resolution No. 2005-25791 the exclusive privilege of operating valet parking concessions at designated facilities. The City Commission approved this sale on 01/17/07 and allowed the new entity to operate under the original concession agreement's terms until its 09/30/10 expiration. Furthermore, City Resolution No. 2010-27214 was adopted authorizing First Class Parking, LLC to perform management and operation of valet parking services at the Miami Beach Convention, the Fillmore Miami Beach at the Jackie Gleason Theater and other City properties between 10/01/10 and 09/30/13 with one additional two year renewal option possible solely at the City's discretion.

Consequently, Internal Audit reviewed the Eden System's Licensing Module under all known corporations (Gold Star, Inc.; Gold Star Parking Systems Inc.; First Class Parking Systems, LLC; and First Class Parking, LLC) that the concessionaire operates. In doing so, the following outstanding balances were identified that are in need of resolution:

- Activity number 18776 billing Gold Star Parking Systems Inc. \$290.88 for valet parking operations at the north and south loading dock of the Miami Beach Convention Center during the 2007/08 fiscal year continues to be listed as "pending" and has not been paid to date.
- Activity number 27759 billing Gold Star, Inc. \$290.88 for valet parking operations at 515-541 Jefferson Ave during the 2008/09 fiscal year continues to be listed as "pending" and has not been paid to date.

In addition, a review of the Eden System's Accounts Receivable Module found that First Class Parking, LLC owes the City \$172.00 for off-duty services associated with invoice number 21301 due on 03/02/11. As a result, the concessionaire's 2011/12 fiscal year business tax receipt that was issued shortly after full payment was received on 09/28/11 should have been withheld.

Recommendation(s):

The Finance Department's Licensing Section should further investigate these two activity numbers in an effort to obtain resolution. Business tax receipt accounts should not continue to exist as "pending" for years without diligent efforts made toward resolution. Finally, the Finance Department's Licensing Section should more closely scrutinize the various City data bases to determine whether the applicable customer owes any monies before any business tax receipts are issued.

City's Response (Parking Department):

The Parking Department agrees with the above recommendation and will work with the Finance Department to investigate the aforementioned activity numbers to obtain resolution.

11. Finding – Posting Revenues

The Parking Department maintains a number of different revenue sources (debit cards, meter collections, permit sales, etc.) that are processed by their cashiering operations and are delivered to the City's designated bank by a subcontracted armored car company. Additionally, the applicable City owned garages' corresponding daily revenues are similarly deposited into the designated bank account. Together they equal the department's daily revenues which are reconciled to the supporting documentation by independent financial personnel on staff. Once completed and approved, the documentation is forwarded to the City's Finance Department for further review and approval before the revenues are posted to the appropriate general ledger accounts in the City's Financial System.

In last year's audit, the Finance Department stated that this process should be completed in a total of 18 days due to its inherent complexities such as the volume and number of revenue sources, the amount of people involved, etc. Although Internal Audit believes that this process is still too long and its delay means that current accurate information is not readily available for desired analyses and budget comparisons, we reviewed the concessionaire's October and November 2011's monthly payments received on 10/31/11 and 11/29/11 respectively to find that they were posted on 12/02/11 and 12/20/11 resulting in an average of 26.50 days after they were received.

Recommendation(s):

The Parking Department should meet with the Finance Department to discuss the root cause as to the reasons for the delay in having the daily revenues posted to the City's Financial System and how they can be overcome. At a minimum, the Finance and Parking Departments should reevaluate the reporting process to determine if it can be streamlined so that these revenues can be posted within the self-imposed 18 days.

City's Response (Finance Department):

The Finance Department has worked with the Parking Department to shorten the lag time from when a transaction is received to when it is recorded to the City's general ledger. In order to assist the Parking department with this task, the Finance Department has met with Parking to streamline the process and as a result eliminated redundant steps i.e. the Finance Department in the past would wait until the work had been reviewed by both Parking and Finance and then the daily work for Parking would be posted. Now, as soon as Parking imports the daily work and it has gone through all of the approval queues, the work is immediately posted without the extra lag time of Finance's review. The Finance Department will continue to work with the Parking Department to bring the lag time down to the preferred 18 days.

EXIT CONFERENCE

An initial meeting was held to discuss the audit report between Parking Director Saul Frances, Assistant Parking Director Chuck Adams, Parking Operations Manager Miguel Beingolea, Financial Analyst III Rocio Alba, Internal Auditor James Sutter, Senior Auditor Mark Coolidge and Auditor Fidel Miranda. The audit report was subsequently forwarded to First Class Parking, LLC management. Both the Parking Department and the concessionaire's management responses were received and added to this audit report. All were in agreement with the contents of this report. The Parking Department will utilize this report in the planning for the next Art Basel Miami Beach event.

JJS:MC:mc:FM:fm

Audit performed by Senior Auditor Mark Coolidge and Auditor Fidel Miranda

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cc: Saul Frances, Parking Department Director
Patricia Walker, Chief Financial Officer
Jorge Zuluaga, Chief Executive Officer, First Class Parking, LLC