

CITY OF MIAMI BEACH
INTERNAL AUDIT SERVICES IN CONNECTION WITH TREMONT TOWING
FOR THE PERIOD JANUARY 1, 2012 TO MAY 3, 2012

CITY OF MIAMI BEACH

CONTENTS

Independent Accountants' Report	1
Internal Audit Procedures	2
Business Tax Receipt.....	2
Insurance Policy/Certificates	2
Nuisance Issues/Complaints	3
Police Holds	3
Equipment Required on Wrecker.....	4
Delays	5
Waiver of Drop Fees.....	5
Maximum Allowable Towing Rates.....	6
Reports and Files.....	7
Invoice Forms	8
Vehicle Storage Receipts	8
Citizens Towing Bill of Rights	8

INDEPENDENT ACCOUNTANTS' REPORT

James Sutter, Internal Auditor
Saul Frances, Parking Director
City of Miami Beach
1700 Convention Center Drive,
Miami Beach, FL 33139

As agreed to in our engagement letter dated May 2nd 2012, we performed internal audit procedures in connection with Tremont Towing (“Permittee”) solely to assist the City of Miami Beach (“the City”) in determining if Permittee is in compliance with provisions within the towing permits from January 1, 2012 to May 3, 2012. We performed inquiries and analyses based on the information made available to us. In performing our services, we relied on the sufficiency, accuracy, and reliability of information provided by the Permittee. Except as otherwise noted, we did not independently verify the information provided to us.

Our work plan primarily consist of inquires and analyses based on the information made available to us. Based on the areas you believe are of concern, our procedures focused on business tax receipts, insurance policy/certificates, nuisance issues/complains, police holds, equipment required on wrecker, delays, waiver of drop fees, maximum allowable towing rates, and reports and files. The specific procedures and results are outlined below.

Our procedures were performed pursuant to the Standards for Consulting Services issued by the American Institute of Public Accountants. We were not engaged to, and did not, perform an audit or an examination, the objective of which would be the expression of an opinion on the borrowing base certificates prepared by the Company. Because the procedures do not constitute an audit or examination, we did not express an opinion on any of the accounts or any other items. If we were to perform additional procedures, other matters might have come to our attention that would be reported to you.

Our engagement cannot be relied upon to disclose errors, irregularities or illegal acts, including fraud or defalcations that may exist. Based on the procedures performed, we are not aware of any material errors, irregularities or illegal acts that came to our attention.

The sufficiency of the procedures for this purpose and the contents of our work plan were solely your responsibility. Consequently, we make no representations regarding the sufficiency of the procedures either for the purpose of this engagement or for any other purpose.

Marcum LLP

Marcum LLP
May 3, 2012

CITY OF MIAMI BEACH

INTERNAL AUDIT PROCEDURES

FOR THE PERIOD JANUARY 1, 2012 TO MAY 3, 2012

A. BUSINESS TAX RECEIPT

1. Marcum to obtain a copy of the Business Tax Receipt for all of Permittee's locations within the City of Miami Beach (the "City").

Marcum obtained the most up to date Business Tax Receipt for Tremont Towing ("Tremont") noting that the certificate is up for renewal on 9/30/2012.

B. INSURANCE POLICY/CERTIFICATES

1. Marcum to obtain a copy of Permittee insurance policies, including commercial general liability, automobile liability insurance, worker's compensation and employer's liability insurance

Marcum obtained copies of the Permittee's commercial liability, automobile liability, worker's compensation, and employer's liability insurance policies/certificates.

2. Marcum to verify that Permittee is the named insured under all policies and the City is named as an additional insured on all required liability policies.

Under all policies obtained, the Permittee was the named insured. The City was named an additional insured on Tremont's liability policies/certificates.

3. Marcum to verify that all liability insurance coverage and policies contain provisions acknowledging and agreeing to indemnify and hold harmless the City.

All liability policies did in fact contain clauses to indemnify and hold the City harmless except in cases where the Permittee is doing business directly for the City.

4. Marcum to verify that insurance policies are authorized to do business under the laws of the State of Florida and the companies have a rating of at least B+: VI or better.

Marcum verified that all applicable insurance policies are in fact authorized to do business in Florida and are currently listed as having at least a B+: VI or better insurance claim rating.

CITY OF MIAMI BEACH

INTERNAL AUDIT PROCEDURES

FOR THE PERIOD JANUARY 1, 2012 TO MAY 3, 2012

C. NUISANCE ISSUES/COMPLAINTS

1. Marcum to obtain a list of any complaints received by the City's Chief of Police or the City's Parking Director. Marcum will select 10 complaints and verify that a written disposition of the complaint was forwarded to the Permittee upon completion of the investigation.

Marcum could not obtain a list of complaints received by the City but did inquire of Tremont as to their policies on recording/addressing complaints. Per Manny Diaz Jr., Operating Partner at Tremont, complaints are handled on a case by case basis. There is no formal log of documentation with regard to all complaints received by the tow company. They believe that it is impractical to document every issue due to the nature of the business and the mass amount of complaints received on daily basis. Manny Diaz believes that the majority do not have merit.

D. POLICE HOLDS

1. Marcum to select a list of police holds. Marcum to select 10 police holds and verify that police holds contain the following:
 - i. Name and agency of the law enforcement agency;
 - ii. Date and time the hold is placed on the vehicle;
 - iii. A general description of the vehicle, including color, make, model, body style and year, VIN, registration plate with state and year, and validation sticker number with state and year;
 - iv. The specific reason for placing the hold;
 - v. The condition of the vehicle;
 - vi. The location where the vehicle is being held;
 - vii. The name, address, and phone number of the storage facility where the vehicle is stored.

Marcum selected 10 total police holds for Tremont noting that items i, ii, iii, iv, & vi were clearly documented while items v & vii were not (vehicle condition and storage facility contact information). Since the vehicle location was documented, the contact information can be easily obtained.

CITY OF MIAMI BEACH

INTERNAL AUDIT PROCEDURES

FOR THE PERIOD JANUARY 1, 2012 TO MAY 3, 2012

D. POLICE HOLDS (CONTINUED)

2. For the same selections above, Marcum will confirm that the rates charged to an owner/lien holder did not exceed the allowable rates provided by in the “City of Miami Beach Administrative Rules and Regulations for Policy and parking towing Permits Revised as of July 22, 2009”.

All rates applied to police hold impounded vehicles appear to fall within the guidelines of the “City of Miami Beach Administrative Rules and Regulations for Policy and parking towing Permits Revised as of July 2, 2009”.

E. EQUIPMENT REQUIRED ON WRECKER

1. Marcum will select 5 Class “A” wreckers and verify they meet the following minimum ratings:
 - i. Commercially manufactured unit, with a rated capacity of not less than 10,000 pounds, GVW
 - ii. Cab to axle dimension of not less than 56 inches
 - iii. Dual rear wheels
 - iv. Commercially manufactured boom with a minimum capacity of 8,000 pounds
 - v. Hydraulically operated winch(es) with a minimum total winching capacity of 8,000 pounds
 - vi. One hundred (100’) feet of 3/8 inch steel core cable per winch
 - vii. Wheel life with a retraced rating of not less than 3,500 pounds and an extended rating of not less than 2,000 pounds
 - viii. Tow sling with a safe lift rating of 3,500 pounds
 - ix. Two (2) 3/8 inch high test safety chains
 - x. Dolly equipped
 - xi. One (1) motorcycle sling
 - xii. Four-way lug wrench
 - xiii. One (1) pair of jumper cables

Marcum walked through the Permittee’s premises and physically observed 5 different wreckers on location. Marcum easily identified compliance with items iii, x, xi, xii, & xiii on all vehicles observed. For the remainder of the items Marcum obtained the Dade County wrecker inspection reports for all 5 vehicles observed during fieldwork. These certificates demonstrated vehicle compliance with the laws and regulations of Miami Dade County. The inspections occurred on 1/9/2012 for Tremont. The certificates are valid for 2 years. After an inspection is passed, a vehicle decal is presented on each truck to also demonstrate their compliance with County Law. Each truck observed displayed this decal with expiration dates all occurring during 2013.

CITY OF MIAMI BEACH

INTERNAL AUDIT PROCEDURES

FOR THE PERIOD JANUARY 1, 2012 TO MAY 3, 2012

F. DELAYS

1. Marcum will obtain a listing of tows. For 50 tows, Marcum will obtain a log of towing requests. If the Permittee is unable to respond to request for tows within 20 minutes of receipt of the request, Marcum will obtain evidence that the Permittee notified the requesting City party of the estimated time of delay and the reasons thereof. *Note: if this type of information is unavailable, Marcum will observe this process and inquire of dispatchers whether they comply with this provision.*

Per the towing Permit, the Company has approximately 20 minutes after receipt of a request to respond to a call. After such time the Company is required to notify the City of the estimated time of delay and reasons thereof. Per discussion with Manny Diaz Jr. (Manny), Operating Partner at Tremont, the Company does not maintain a log of this type of information but always comply with the regulation. In practical scenarios, the Company typically responds to all calls well within the 20 minute threshold but by the time the tow paperwork is completed and the vehicles are hooked up the 20 minute window may have surpassed and the delay is not communicated. Also, delays can be caused by miscommunications between the parking officer and the City dispatcher which in turn can lead to increased wait times as the tow company is often the second entity contacted after the dispatcher is made aware of the pending tow. The Company does not believe that these instances are considered exceptions to the rule. Per Manny, no formal complaints have been received from the City with regard to delayed pick-ups/tows. Also, all of Tremont's drivers are paid on a commission basis which gives them more of an incentive to process all requests as soon as possible. Each wrecker is also outfitted with a two way radio where communication between the driver and the City dispatcher can be instantaneous if needed.

G. WAIVER OF DROP FEES

1. For the 50 tows selected above, Marcum will determine if there is evidence that the Permittee waived drop fees, if applicable. *Note: if this type of information is unavailable, Marcum will inquire of tow truck drivers whether they comply with this provision.*

Drop fees are charges associated with releasing a vehicle at the scene of where a tow is taking place. Through the permit term the Permittee has agreed to waive all drop fees for "registered vehicle owners" prior to removal of the towing vehicle. Once the wrecker has lifted the vehicle and began the physical tow to its end destination, the waiver no longer applies. Per discussion with Manny Diaz Jr. (Manny), Operating Partner at Tremont, this is the common practice for Tremont and is communicated to

CITY OF MIAMI BEACH

INTERNAL AUDIT PROCEDURES

FOR THE PERIOD JANUARY 1, 2012 TO MAY 3, 2012

G. WAIVER OF DROP FEES (CONTINUED)

all drivers. Also, the waiver of fees is communicated on the Towing Bill of Rights that is given to each customer upon arrival to the Permittee's location of business. Marcum inquired of 2 different truck drivers and both confirmed that this is common practice. Accordingly as there are no charges applied to a waiver of drop fees, there is also no record of the waiver being applied. Marcum recommends that moving forward a form or receipt should be applied to each occurrence of a waiver of drop fees signed by the onsite truck driver and the registered vehicle owner as proof of the transaction. Per Manny, in reality this is not feasible as the majority of vehicle owner's would refuse to sign any document once the truck driver communicates that the vehicle will be released free of charge. They believe that to avoid additional confrontation in an already tense environment it is best to release the vehicle and leave the scene as soon as possible.

H. MAXIMUM ALLOWABLE TOWING RATES

1. For the 50 tows selected above, Marcum will review the invoice to determine if any of the charges exceed the maximum allowable towing rates as stated in the "City of Miami Beach Administrative Rules and Regulations for Policy and Parking towing Permits Revised as of July 22, 2009".

Marcum confirmed that all rates charged to an owner/lien holder did not exceed the allowable rates provided in the "City of Miami Beach Administrative Rules and Regulations for Policy and Parking towing Permits Revised as of July 22, 2009" or "The Permit". For each selection made, Marcum was provided with the applicable "paid" invoice, vehicle storage receipt, and vehicle owner's driver's license copy.

Marcum noted that Tremont's invoices often displayed a \$30 charge for "after hour pick-up" which is considered anytime between 8pm and 8am. Although Marcum did not see this specific charge as an allowable charge under the permit, it was displayed on the Company's Towing Bill of Rights rate section. Per Manny Diaz Jr., Operating Partner of Tremont, the Towing Bill of Rights was approved by the City upon creation of it. Also, Marcum obtained and reviewed a City Commission Addendum that was signed off by Jorge M. Gonzalez, Miami Beach City Manager, approving increased tow rates and the additional "after hour" charge as of 01/01/12.

CITY OF MIAMI BEACH

INTERNAL AUDIT PROCEDURES

FOR THE PERIOD JANUARY 1, 2012 TO MAY 3, 2012

I. REPORTS AND FILES

1. For the 50 tows selected above, Marcum will verify evidence of a copy of all paid invoices; together with vehicle storage receipts and any and all impound logs.

See procedure "H" above.

2. Marcum will also verify that the Permittee maintains the following:

- i. A log of all calls for service by the Miami Beach Police Department and/or Parking Department on a weekly basis.

Marcum observed that Tremont maintained monthly tow logs which documented the type of tow request, vehicle information (e.g. tag number, make/model/color, etc.), date towed, release date, invoice number, and applicable case number.

- ii. An Impound/Notification Log indicating, at a minimum, date, time and method of notification to the registered owner of an impounded vehicle.

Marcum noted that the Company's Impound/Notification Log indicated the date of the tow, applicable charges, and vehicle information. Per discussion with Jay Maura, Account Representative, notifications to the registered vehicle owners for all impounded cars is outsourced to Rainbow Title and Lien Company. Tremont prepares basic log sheets with the information listed above and sends the completed forms directly to Rainbow Title & Lien for processing.

- iii. A log indicating vehicles to be auctioned, date of auction, name and address of owner and lien holder, and date contacted, and

Marcum confirmed that the Company maintains a log indicating vehicles to be auctioned. The log documents the date of the auction (every Thursday a public auction is held), applicable vehicle information, and title/lien holder information. Per discussion with Manny Diaz Jr., Operating Partner, in common practice cars do not typically sell at public auction and more often than not are sent to a junk yard to be destroyed after the auction and after a Certificate of Destruction (CD) can be obtained. For liability purposes, there's also times when the Company may hold onto to a particular vehicle after it does not sell at public auction for a time period of up to 12 months. The Company's auction log also documents whether the vehicle's CD has been obtained or not at the time of the auction.

CITY OF MIAMI BEACH

INTERNAL AUDIT PROCEDURES

FOR THE PERIOD JANUARY 1, 2012 TO MAY 3, 2012

I. REPORTS AND FILES (CONTINUED)

- iv. A log indicating vehicles sold at auction, date auction notice was published, proceeds of auction and distribution of proceeds.

See response to item "iii" above.

J. INVOICE FORMS

1. Marcum to perform in conjunction with reports and files procedure above.

K. VEHICLE STORAGE RECEIPTS

1. Marcum to perform in conjunction with reports and files procedure above.

L. CITIZENS TOWING BILL OF RIGHTS

1. Marcum to verify that the Permittee has established a bilingual informational campaign, advising a vehicle owner who has been towed of his/her rights and important related information, including tow rates, methods of payment, and complaint contact information.

Marcum obtained the Towing Bill of Rights pamphlet that is handed to all customers upon arriving at Tremont's premises. This pamphlet ensures the bilingual communication of each citizen's towing bill of rights as required by the City.