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COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee Members

FROM: Kathie G. Brooks, Interim City Manager 

DATE: March 21, 2013

SUBJECT: **STATUS OF AGREED-UPON AUDIT PROCEDURES FOR TOWING COMPANIES**

BACKGROUND

A series of meetings have taken place with representatives from both Towing Companies Tremont and Beach Towing to discuss the formulation of agreed-upon audit procedures to satisfy the Commission's request for verifying cost of operations incurred by the towing companies. The towing companies hired a Certified Public Accountant with experience in cost allocations to assist in developing a method to allocate costs. City staff from the Finance Department, Parking Department and Internal Audit Division met with the towing companies' owners, accountants and attorneys on February 4, 2013, February 27, 2013, March 14, 2013. These meetings began to focus on the type of financial records maintained by the companies, the separation of costs between public and private tows and cost allocations that could be substantiated and used for auditing the business' expenses.

The city agreed with the preliminary cost allocation methodology proposed to allocate towing expenses. The majority of expenses would be allocated on statistical data based upon the number of public tows as compared to private tows as they relate to tows with the City of Miami Beach. The towing companies are in the process of extracting this statistical information from their financial records. This is a time consuming task due to the amount of records representing all of the towing receipts. This information will be verified during the course of the audit since it will be the main allocation factor used. Other factors discussed were as follows:

- General expenses will be allocated on the cost allocation method based upon the statistical data mentioned above.
- City Administrative fees expenses would be separated out 100% against public tows.
- Security fees expenses required by the towing agreement will be allocated 100% to public tows after taking into consideration any other contracts requiring security.
- Lobbyist cost will be separated out and allocated to public tows.
- Additional cost of insurance over minimum required by the County will be allocated 100% to public tows.
- Signage costs will be 100% allocated to private tows.
- Operational costs for storage lots and office will be allocated between public and private tows.
- Revenues will be split out across the board by category of revenue.

The towing companies' accountant will continue preparing the cost allocation methods and present them back to the City staff for a meeting scheduled for April 22, 2013. City staff will finalize the agreed upon procedures with the anticipation to present them to the Finance and Citywide Project Committee meeting to be held in May.