



MIAMIBEACH

DEPARTMENT
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: June 6, 2012

AUDIT: Imperial Parking (U.S.), Inc. – Agreement to Provide Cashiers, Attendants and Supervisors - Compliance Audit

PERIOD: Contract year starting on August 11, 2010 through August 10, 2011

This report is the result of a regularly scheduled compliance audit of the professional service agreement between Imperial Parking (U.S.), Inc. and the City to provide cashiers, attendants, and supervisors for the City's parking system. The agreement requires an annual evaluation of the contractor's profitability to determine whether pre-determined base profit thresholds are achieved that would require sharing equally any excess between the contractor and the City. This audit encompasses year three (final year) of the agreement.

INTRODUCTION

The City of Miami Beach Parking Department is responsible for managing more than 11,500 on-street parking spaces, nine (9) garages, and sixty-four (64) surface parking lots. Surface lots are often attended by cashiers, supervisors, and traffic personnel during special events to improve the incidence of parking violations and minimize any adverse impact on the demand for parking. Oversight for the garages and attended surface lots is provided by the Off-Street Division, and includes responsibility for the administration of the contracted provision of cashiers, attendants, and supervisors to the City's parking system.

On June 25, 2008 the Mayor and Commission, through Resolution No. 2008-26839, approved and authorized the execution of the 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. The agreement was executed on July 30, 2008. The term of the agreement was three (3) years, commencing on August 11, 2008 and ending on August 10, 2011, with two (2) one-year renewal options at the City's sole discretion. A provision was added requiring that an annual performance evaluation and a review of the profitability of the agreement be conducted for revenue sharing purposes.

At its February 9, 2011 meeting, the Mayor and City Commission authorized the Administration to issue a new Request for Proposals (RFP) No. 17-10/11 for Parking Attendants for the City's Parking Garages. The City Manager presented his recommendation at the May 11, 2011 Commission meeting and the City Mayor and Commission accepted the City Manager's recommendation and authorized the administration, through the issuance of Resolution No. 2011-27658 to enter into negotiations with the top ranked firm, Standard Parking which replaced Imperial Parking on August 15, 2011.

Among other duties, Imperial Parking's employees were 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 providing excellent customer service, guidance, and reporting maintenance issues to the Parking

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Department, among other things.

Invoices were 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/classification were 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 were then compared to hours requested accordingly. Any exceptions, if any, were communicated to the Contractor for correction prior to processing payment.

The following schedule reflects the total actual payments made to the Contractor, per the City's general ledger, associated with the service agreement as of March 15, 2012:

	ACTUAL COSTS	ACTUAL COSTS	ACTUAL COSTS	OVERALL
LOCATION	CONTRACT YEAR #1 (08/11/08 - 08/10/09)	CONTRACT YEAR #2 (08/11/09 - 08/10/10)	CONTRACT YEAR #3 (08/11/10 - 08/16/11)	ACTUAL COSTS (CONTRACT TERM)
7TH STREET GARAGE	\$ 379,765	\$ 318,076	\$ 410,666	\$ 1,108,507
ANCHOR GARAGE	\$ 307,047	\$ 260,121	\$ 354,215	\$ 921,383
ALL OTHERS (1)	\$ 2,691,019	\$ 1,716,754	\$ 1,780,084	\$ 6,187,857
GRAND TOTAL	\$ 3,377,831	\$ 2,294,951	\$ 2,544,965	\$ 8,217,747

(1): "ALL OTHERS" represent four garages, and all City attended lots, as needed for, but not limited to, special events.

OVERALL OPINION

With the culmination of the third and final year of the service agreement between the City and Imperial Parking (U.S.), Inc (D/B/A Impark), to provide cashiers, attendants, and supervisors to the City's parking system, Internal Audit was engaged to review compliance to section 4.9.3 of the service agreement, which in essence, required for the contractor to share equally at the end of the three year contract term any revenues in excess of \$262,500 base estimated profit. Accordingly Internal Audit performed audit testing and procedures to identify whether the base estimated profit level had been reached and/or surpassed by the contractor and to verify whether operating expenses accrued and accounted for by the contractor were reasonably substantiated by supporting documentation. Only those operating expenses reasonably substantiated were considered in our calculations. Results from our testing have been summarized in the following figure:

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	1 ST CONTRACT YEAR (2009)	2 ND CONTRACT YEAR (2010)	3 RD CONTRACT YEAR (2011)	TOTALS
Amounts Paid to Contractor	\$3,377,831	\$2,294,951	\$2,544,965	\$8,217,747
Operating Expenses Incurred by Contractor	\$3,165,079	\$2,383,232	\$2,528,537	\$8,076,848
Reasonably Substantiated Profit	\$ 212,752	\$ (88,281)	\$ 16,428	\$ 140,899
LESS: Base Estimated Profit				\$(262,500)
Total				\$(121,601)
Profits in excess of the Base Estimated Profit				\$0
Amounts owed to the City (1/2 of amount in excess of Base Estimated Profit)				\$0

Additional details have been provided on Table 1 at the end of this report for further reference.

As shown on the figure above and later on Table 1, at the end of this report, results from the contractor's operations did not surpassed the Base Estimated Profit threshold that would require the contractor to share the excess equally with the City. Consequently there are no moneys owed to the City as a result from provisions stipulated under section 4.9.3 of the service agreement.

Testing and procedures performed during this audit were not designed to find fraud or defalcations. They were only designed to establish compliance by the contractor to section 4.9.3 of the service agreement and to ensure that reasonable supporting documents and calculation schedules exist and are maintained by the contractor. In addition, we were not engaged to express an opinion on the contractor's financial statements, financial reports, or exercised accounting policies, procedures, or principles. Accordingly, we do not express an opinion on such.

PURPOSE

The purpose of this audit is to verify compliance with section 4.9.3 of the professional services agreement between the City of Miami Beach and Imperial Parking to provide parking cashiers, attendants, and supervisors for the City's parking system; and ensure that any revenues in excess of the "Base Estimated Profit" of \$262,500 (if applicable) be shared equally between the Contractor and the City.

SCOPE

1. Review compliance to Section 4.9.3 of the Service Agreement (profit sharing provisions).
2. Verify expenses and corresponding schedules, allocations and support to ensure reasonable substantiation.

3. Verify cumulative effect of profit sharing provisions over the three year term service agreement.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

1. Finding – *Base Estimated Profit levels were not exceeded and/or met by the contractor over the term of the agreement.*

Section 4.9.3 of the Service Agreement stipulates that “Contractor and City hereby agree and acknowledge to share equally in any excess revenues over and above Contractor’s “Base Estimated Profit” over the initial three (3) year term of this agreement”. It further mentions that “at the end of each contract year during the term of this Agreement, the City and Contractor agree to meet to review the profitability of the contract, which shall include the City’s review of all necessary documents and records to substantiate such profitability”. Accordingly, Internal Audit reviewed all necessary documents and records to reasonably substantiate the profitability of the contractor on each of the three years of the contract (contract term). In addition, an opportunity was provided to the contractor to present supporting documents not provided during the previous two audits to reasonably substantiate expenses incurred, but not properly documented/substantiated. As a result, we have included Table 1 at the end of this report to help to illustrate those operating expenses incurred by the contractor that were reasonably substantiated, compared to amounts paid to the contractor by the City, in order to determine the contractor’s profitability over the contract term (3 years).

As in the two previous audits performed, there were operating expenses reflected, but not reasonably substantiated by the contractor as a result of system limitations that although allow to maintain full accountability by regions (Organizations under contract in the Miami-Dade County vicinities), it does not maintain a separate sub-ledger for locations or “lots”, which is the term used by the contractor to identify different contracts in a region. Furthermore there were expenses that were not reasonably substantiated due to a lack of appropriate documentation available for our review. None of these expenses not reasonably substantiated were considered in our analysis. However, it is prudent to recognize that there could have been additional reasonable expenses (Example: legal and professional fees) that were not considered or provided by the contractor despite possibly incurred. With this in mind, it is important to reiterate that profitability, as calculated in our review, only considers the total amounts paid by the City to the contractor, as revenues, and considers only those reasonably substantiated expenses for which reasonable supporting documentation was provided; therefore the calculation may not, and does not reflect the contractor’s net income or loss from operations.

None the less, as reflected in Table 1 at the end of this report, reasonably substantiated expenses are sufficient to prevent the contractor from reaching and/or exceeding the “Base Estimated Profit” of \$262,500 over the contract term. Consequently, no amounts are due to the City with respect to profit sharing provisions under section 4.9.3 of the service agreement.

Response(s)

Both, the City and the Contractor have been made aware of our findings and have acknowledged the results without further comments. No additional responses are necessary.

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EXIT CONFERENCE

Findings were forwarded to the City's Parking Department and the Contractor Offices to solicit further discussion and management responses. Management responses were received thereafter.

Audit performed by Fidel Miranda, Auditor

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

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**Table 1:
 City of Miami Beach - Internal Audit
 Contractor's Reasonable Substantiated Income and Expenses
 Contract Years One to Three**

REASONABLY SUBSTANTIATED EXPENSES	CONTRACT YEAR 2009	CONTRACT YEAR 2010	CONTRACT YEAR 2011	CONTRACT TERM TOTAL
COURIER	\$ 262.00	\$ 547.00	\$ 6.00	\$ 815.00
EQUIPMENT RENTAL - COPIERS	\$ 5,013.00	\$ 5,971.00	\$ 5,937.14	\$ 16,921.14
PARKER PETE EXPENSES	\$ 8,051.00	\$ 9,300.00	\$ 12,950.00	\$ 30,301.00
REPAIRS & MAINTENANCE	\$ 1,280.00	\$ 92.00	\$ 1,080.49	\$ 2,452.49
SUPPLIES	\$ 38,038.00	\$ 15,370.00	\$ 14,023.18	\$ 67,431.18
UNIFORMS	\$ 25,704.00	\$ -	\$ 1,750.90	\$ 27,454.90
TELEPHONE	\$ 10,610.00	\$ 7,204.00	\$ 8,252.40	\$ 26,066.40
TRAINING (CPR)	\$ 3,629.00	\$ -	\$ 2,152.50	\$ 5,781.50
HIRING & PLACEMENT	\$ 22,028.00	\$ 2,509.00	\$ 1,927.62	\$ 26,464.62
GASOLINE/FUEL	\$ 14,733.00	\$ 17,142.00	\$ 18,111.48	\$ 49,986.48
VEHICLE REPAIRS	\$ 8,787.00	\$ 9,382.00	\$ 10,036.72	\$ 28,205.72
WAGES	\$ 2,588,016.00	\$ 1,963,702.74	\$ 2,087,378.11	\$ 6,639,096.85
PAYROLL TAX EXPENSES - (S.S. & MED.)	\$ 197,984.00	\$ 150,223.26	\$ 159,684.43	\$ 507,891.69
VEHICLE DEPRECIATION - \$10,000 SALVAGE VALUE	\$ 12,405.00	\$ 12,913.50	\$ 12,021.50	\$ 37,340.00
VEHICLE INSURANCE	\$ 5,837.00	\$ 9,347.00	\$ 10,967.54	\$ 26,151.54
LIABILITY INSURANCE	\$ 70,070.00	\$ 70,956.00	\$ 70,860.13	\$ 211,886.13
WORKERS COMPENSATION INSURANCE	\$ 103,520.64	\$ 78,548.11	\$ 83,495.12	\$ 265,563.87
UNEMPLOYMENT TAXES - STATE (SUTA)	\$ 36,397.07	\$ 20,492.72	\$ 20,904.34	\$ 77,794.13
UNEMPLOYMENT TAXES - FEDERAL (FUTA)	\$ 12,714.38	\$ 9,531.50	\$ 6,997.27	\$ 29,243.15
TOTAL REASONABLY SUBSTANTIATED EXPENSES:	\$ 3,165,079.09	\$ 2,383,231.83	\$ 2,528,536.87	\$ 8,076,847.79
AMOUNTS PAID TO CONTRACTOR	\$ 3,377,831.00	\$ 2,294,951.00	\$ 2,544,965.00	\$ 8,217,747.00
REASONABLY SUBSTANTIATED CONTRACTOR'S NET PROFIT	\$ 212,751.91	\$ (88,280.83)	\$ 16,428.13	\$ 140,899.21