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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: February 25, 2010

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

PERIOD: Contract year starting on August 11, 2008 through August 10, 2009

This report is the result of a regularly scheduled operational and 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 performance of the services rendered and a review the profitability of the agreement.

INTRODUCTION

The City of Miami Beach Parking Department is responsible for managing more than 11,500 on-street parking spaces, eight (8) garages, soon to be nine with the opening of a garage on Meridian Avenue and 17th Street, 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 January 3rd, 2008, pursuant to Resolution No. 2007 – 26731, the City Commission determined not to exercise a renewal option with Standard Parking Corporation, the then current Contractor for cashiers, attendants, and supervisors to the City's parking system. Instead, the Commission directed the administration to initiate a competitive process to select a Contractor that could provide the best possible services, at the lowest possible price to the City. Consequently Request for Proposals (RFP) No. 11-07/08 was issued, and seven (7) proposals were received from different organizations and were evaluated by a selection committee. Later on April 16 of the same year, Resolution No. 2008-26810 was approved, by the Mayor and Commission, authorizing the administration to enter into contract negotiations with the recommended number one ranked proposer, Imperial Parking (U.S.), Inc (Impark).

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 is 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 the review of the profitability of the agreement for revenue sharing purposes.

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At the May 13, 2009 Commission meeting, the Mayor and City Commission authorized the administration to issue a subsequent Request for Proposal (RFP) to provide parking cashiers, attendants, and supervisors for the City of Miami Beach parking system, based on concerns regarding performance and cost. On May 13, 2009, the Mayor and City Commission approved issuance of Request For Proposal (RFP) No. 41-08/09. On September 10, 2009 the City Manager presented his recommendation of another company to award the agreement after considering the Evaluation Committee recommendation, by conducting his own independent review of the proposals and due diligence with the RFP. At the February 3, 2010 Commission meeting, the Mayor and City Commission rejected all bids under RFP 41-08/09 and authorized the administration to issue a new RFP using the "Cost Plus" and to continue the contract with Imperial Parking but to negotiate an amendment to the contract to change the rates.

Among other duties, Imperial Parking's employees are 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 maintaining and/or enhancing an excellent experience for parking users by providing excellent customer service and guidance throughout the customer's visit to the facility, reporting maintenance issues to the Parking Department, etc..

Invoices are 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 are 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 are then compared to hours requested accordingly. Any exceptions, if any, are then 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 August 10, 2009:

LOCATION	ACTUAL COSTS
	CONTRACT YEAR (08/11/08 - 08/10/09)
7TH STREET GARAGE	\$ 379,765.32
ANCHOR GARAGE	\$ 307,046.54
ALL OTHERS (1)	\$ 2,691,018.66
GRAND TOTAL	\$ 3,377,830.52

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

OVERALL OPINION

Although the Contractor, Imperial Parking (U.S.), Inc, has complied satisfactorily with provisions stipulated in the service agreement (Provided all employees with proper uniforms, complied with the living wage ordinance, prepared timely billings to the City, performed the daily revenue collection, provided all appropriate supporting records and reports for the daily revenues collected, etc.),

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results from testing performed to reasonably assure compliance to all provisions of the agreement, stipulated policies and procedures, and to the Contractor's responsibility identified the following areas in need of immediate improvement and/or corrective action:

- Hours worked by two employees and billed to the City were not supported by the agreement.
- Added value services described in the Contractor's Proposal, in response to RFP 11 – 07/08, differs from those services provided.
- Original certificates of insurance were not submitted to the City's Risk Manager for approval and for substantiation of continuity, as required by the Professional Service Agreement.
- Recruitment practices stipulated on the Contractor's proposal and/or required on the Service Agreement were not performed accordingly.
- Contractor's time tracking equipment limitations were observed that could compromise the reliability and accuracy of employee worked hours billed to the City.
- Documents and records to substantiate the Contractor's profitability for the purpose of revenue sharing were not readily available and did not fully support those amounts presented.

With respect to the evaluation of the services provided by Imperial Parking (U.S.), Inc during the first contract year, discussions with the Off-Street Parking Division suggested that the Contractor has demonstrated a continuous improvement in the adherence to stipulated policies and procedures by its employees and thus to the quality of customer service provided on all City parking facilities. In addition, Internal Audit further discussed operational deficiencies as described on Letter to Commission (LTC) No. 051-2009. None the less, most of the experienced challenges were attributed to the transition of Contractors and a period of adaptation from the current Contractor to the unique nature of the everyday parking operations and demands on the City of Miami Beach.

Despite the results from our inquiries, Internal Audit identified areas in need of improvement, preventing current service levels to meet the City's expected service levels. The areas identified included the following:

- Inability to provide a daily attendance of at least 90% of the scheduled cashier, attendant, and or supervisor hours at each facility by the Contractor.
- Procedural departures and customer service improvement opportunities were identified as a result of conducted field visits.

Additional details regarding all of the above mentioned areas in need of improvement and/or corrections have been provided on the Findings, Recommendations, and Management Responses section of this report.

PURPOSE

The purpose of this audit is to review the overall operations and determine compliance with 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, as well as to evaluate the Contractor's performance in providing such services effectively and efficiently.

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SCOPE

1. Ensure compliance to key provisions of the service agreement and the RFP.
2. Verify that sufficient controls exist to reasonably assure the reliability, accuracy, and accountability of all revenues collected.
3. Verify reasonable reliability and accuracy of invoices to the City from the Contractor.
4. Verify that employee files are current and complete.
5. Confirm that policies and procedures are complete, known, and consistently followed by all personnel.
6. Review adequacy and number of personnel used for the daily operations.
7. Evaluate the overall performance of the Contractor throughout the contract year.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

In order to better identify and differentiate findings and recommendations related to the performance of the Contractor from those involving the overall operation and compliance, audit findings have been grouped in two main categories on this report as follows:

- I. Operation, Compliance and Review of Profitability
- II. Performance Evaluation

I. OPERATION, COMPLIANCE AND REVIEW OF PROFITABILITY

1. Finding - *Hours worked by two employees and billed to the City were not supported by the agreement.*

During our review of the Contractor's billings the following two positions were noted not to have been billed in accordance to the agreement but rather on past practices:

- a. Hours worked by the Contractor's Contract Manager were billed to the City at the supervisor's rate. While Contractor's hourly billing rates assume overhead, a total of 1,495 hours were billed to the City at the supervisor's rate of \$16.77 per hour totaling \$25,071.15, for hours worked by the Contractor's Contract Manager, from August 11, 2008 through May 29, 2009. No additional hours were billed to the City for the Contract Manager subsequent to May 29, 2009. Although the agreement requires for the Contractor to appoint a trained and qualified individual to serve as Contract Manager, who shall be fully responsible for the day-to-day activities under the agreement, there are no provisions in the agreement that permits billing the City for the Contract Manager position. The supervisor's hourly rate should only be charged for hours worked by employees performing supervisory responsibilities, as described in the RFP and in the Contractor's policies and procedures (supervisor responsibilities), on his/her corresponding parking facility.

For this supervisor position, the Parking Department requested that the Manager fill in as a supervisor during the second shift of the day rather than hiring another full time employee. This person performed the supervisory activities of the shift along with their regular manager functions.

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- b. Hours worked by an attendant performing cashiering responsibilities were billed at the supervisor's rate to the City. From inquiries throughout our audit, it came to our attention that hours worked by an attendant performing cashiering responsibilities at the Parking Department's administrative offices were billed to the City at the supervisor's rate of \$16.77 per hour, instead of the corresponding attendant/cashier rate of \$13.88 per hour. The cashiering responsibilities performed in the administrative offices included reconciling the register at the end of each day, collecting payments for monthly parking permits, meter space rentals, among others. Subsequently, Internal Audit learned that the employee performed the cashier responsibilities from August 11, 2008 through June 19, 2009 for a total of 1,673.25 hours worked. In addition, Internal Audit was able to confirm the employee's position title (cashier) by reviewing the employee file kept by the Contractor's Human Resources Department. As a result, the amount overcharged to the City was \$4,835.69 ($(\$16.77 - \$13.88) \times 1,673.25$ hours).

For this position, the Parking Department requested a supervisor rather than a cashier level employee to perform the required function at this particular assignment in the Parking Department's Main Office. According to the Parking Department this assignment required a higher role due to the sophistication of many of the issues handled in this position.

It should be noted that the City paid the previous operator based upon the exact billing practice for these same employee classifications during the previous three years. The hours for both of these assignments were included in the "Requested Hours" submitted by the Parking Department prior to the hours worked and approved in the invoices submitted for payment.

Recommendation(s)

While the City had an integral part in the authorization of payments for these positions, the City Administration should consider whether to pursue the recovery of these payments for hours worked not in accordance to the agreement. In addition, any substantiated request for paying outside the terms of the agreement should be accomplished by an amendment to the agreement approved by the City Commission.

City's Response

- 1a. As stated above, The Professional Service Agreement neither permits nor prohibits the City from being billed for the Contract Manager position; however, the City was using the Project Manager as a supervisor in lieu of a "regular" supervisor in order to achieve a higher service level at no additional expense to the City. This has been a past practice dating back to the previous service provider (Standard Parking). Impark's Project Manager served in the capacity of a supervisory in a standardized (40 hour) workweek which was in addition to his duties as Project Manager where he would be in-service, on average, 50 to 60 hours per week and at peak up to 70 hours per week. In the end, there was no net loss to the City. In fact, to the contrary, the City benefitted by achieving a higher service level by having the experience of a Project Manager at a supervisor's hourly rate. Hypothetically, if the Project Manager had not been scheduled for a supervisory shift (40 hours weekly) then this shift would have been filled (and paid) by the City for a "regular" supervisor. Since there was no net loss to the City and the City received its required service levels (and more), Management deems that it should not pursue recovery of these payments.

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- 1b. As stated above, the cashiering duties performed at the Administrative Offices are far more complex than the typical cashiering functions. These duties required exercising far more independent judgment which is comparable to a supervisory level position. Therefore, a supervisor's rate was agreed upon by the Department with the understanding that it was to attract, retain, and compensate the employee due to the complexity of the duties. This has been a past practice dating back to the previous service provider (Standard Parking). Again, there was no net loss to the City as the City received a service level commensurate with the complexity of the duties at hand.

Contractor's Response

In addition to these coverage's being provided as directly requested by the City, the Request for Hours generated by the City were approved by the City prior to the hours being worked, and then the invoice was approved by the City after the actual hours were worked. The payroll detail provided to the City each pay period clearly included who/what classifications were being billed. Impark defends its actions with regards to billing for these hours and strongly contends that no improper billing/invoicing occurred at any time.

Concerning the supervisory employee, the Parking Department had requested a supervisory level employee for this specific role, and we had simply complied with that request.

2. Finding - *Added value services described in the Services Provider's Proposal, in response to RFP 11 – 07/08 differs from those services provided.*

Value added services provided in the Service Provider Proposal differed from those values added services proposed listed in their response to the RFP.

Section 2.2, page 5 of the Service Agreement mentions that the *"Contractor acknowledges that the Value Added Services referenced in its Proposal are a primary inducement for the City in entering into the Agreement. Accordingly, Contractor shall provide, at its sole cost, all the Value Added Services included in its Proposal"*.

In their proposal, the contractor listed services that apply to all lines of parking services including those outside of the scope of services for the Miami Beach contract to showcase what their company has provided to other clients. These were included under the "World Class Customer Service and Amenities" section of the Contractor's proposal, in response to Request For Proposal (RFP) No. 11 – 07/08. Although some of the amenities / value added services described have been provided accordingly (for example: the "Call Pete" program, the mystery shopper program, employee rewards program, and the opening promotions program), others services such as concierge service, cross-promotions – ticket coupon, complimentary random window washing programs, customer appreciation promotions, distribution of a magazine and customer feedback were not offered. For the facility maintenance assistant plan, it was subsequently agreed to by the Parking Department and the Contractor to report any observations to the City verbally or by e-mail.

Recommendation(s)

Any subsequent changes to the original terms of the agreement which were negotiated should be approved by the City Commission, prior to making them effective, and should be included in the service agreement as an addendum. Also, going forward, all value added services should be specifically listed in the agreement rather making a referral to the proposal

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document. Lastly, to improve the reliability and effectiveness of the mystery shopper program, the form should be reviewed by the City's Office of Budget and Performance Improvement, with responsibility for similar programs throughout the City, a copy of the original results should be submitted by the independent party to the City's Parking Department and to the City's Office of Budget and Performance Improvement, at the same time, as the Contractor's copy.

City's Response

Agreed. Moving forward, the Professional Services Agreement (PSA) will outline and specify all value added services to be performed by the Contractor. All other value added services that the Contractor may have described in their response (proposal) to the RFP (request for proposals) but are not specified and included in the PSA may be engaged by the City through further negotiations.

Contractor's Response

The City's RFP outlined that we were to show our capability as to providing services for this contract. The audit department finding interprets that every potential value added service Impark has the capability to offer should have been implemented. This was not the intention of that RFP request and subsequent RFP response. All the value added services that were deemed to fit within the scope of services, and agreed upon during the negotiation process, have been implemented and are presently being provided to the City.

3. Finding - *Original certificates of insurance were not submitted to the City's Risk Manager for approval and for substantiation of continuity, as required by the Professional Service Agreement.*

Although Internal Audit was able to confirm that the Contractor did, maintain insurance coverage in full force, as required by the Service Agreement, no original copies were provided to the City's Risk Management Office for verification, approval, and to be filed with the City's Risk Manager Office, as required by Section 4.6 of the Service Agreement. Subsequently, Internal Audit forwarded to the City's Risk Manager the copies provided by the Contractor, which were reviewed and approved on August 12, 2009 in compliance with the Service Agreement's requirements.

Recommendation(s)

Original certificates of insurance should be provided to the City's Parking Department to be submitted to the City's Risk Manager for approval every time insurance policies are renewed, revised, and/or an insurer is changed. This not only helps to ensure the continuity of coverage, but also compliance with the requirements established in the Service Agreement. In addition, an approved copy, signed and dated by the Risk Manager should be maintained by the Parking Department, as a backup, along with the Service Agreement documents. Also, the Parking Department should consider improving the monitoring of the agreement requirements to ensure compliance by the Contractor.

City's Response

Agreed. The Parking Department has developed a performance evaluation which includes a checklist of items and specifically insurance requirements.

Contractor's Response

Impark will provide future certificates in the manner directed above.

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4. Finding - *Recruitment practices stipulated on the Contractor's proposal and/or required on the Service Agreement were not performed accordingly.*

Section 2, page 4 of the Professional Service agreement stipulates that the "Contractor will provide for individual honesty tests for its employees during its hiring process, and as may be required by the City from time to time". It further describes that "notwithstanding the description of Contractor Services in this section and the agreement, and without limitation, the Contractor shall provide any and all services, as set forth in the proposal documents". With this in mind, the "Recruitment" section of the Contractor's proposal identifies a series of employment guidelines that were to be applied in order to attain the Contractor's goal of customer service excellence. These employment guidelines included:

- Job Posting
- Outside Recruiting
- Applicant Tracking System
- Interviews
- Testing / Assessment (math and customer service examinations)
- Background and Reference Checks
- Job Offer
- Record Keeping

Additional details and description about each individual guideline is provided in the "Recruitment" section of the Contractor's proposal for further reference.

In order to verify the application of the aforementioned guidelines, Internal Audit randomly sampled sixteen (16) Impark employee files for review. Three (3) of the sixteen (16) employees sampled migrated from the previous contractor and thirteen (13) were new hires. Results from our testing showed that none of the new employee files reviewed included copies of any testing (honesty test, math and customer service tests) performed or official results from the same. Additional inquiries with Impark management personnel confirmed that honesty tests, math tests, and customer service tests, as stipulated on the Service Agreement and the Contractor's proposal accordingly, are not being administered to new employees.

Furthermore, out of the sixteen (16) Impark employee files reviewed, four (4) showed prior criminal history that were not fully described and/or disclosed on the contractor's background check results or the employee file. No additional inquiries or re-runs were documented in the employee files maintained by the Contractor.

Recommendation(s)

The Contractor should implement the administration of all applicable examinations to all new hire employees according to the Service Agreement and the Contractor's Proposal. These examinations should assist in evaluating the ability of the employee to maintain good accountability, customer service, and ethical values while performing his/her duties on the field.

Moreover, considering that employees could be handling cash and at the same time, will be in constant interaction with customers, the contractor should perform additional due diligence with respect to prospective employees whose background check results suggest prior criminal

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histories. Common practices would re-run the background (probably with a different source) to ensure that the results from the initial run are accurate and indeed belong to the prospective employee. Also, the prospective employee's information should be verified to ensure its accuracy when performing the re-run. Once all the appropriate measures have been taken to ensure the reliability and accuracy of the background check results, then the prospective employee must be allowed to provide additional information to assist the Contractor to reach an informed conclusion about the eligibility of the prospective employee. All these steps should be documented in the employee file. This process would be re-enforced with the results of the honesty test, as required.

City's Response

Agreed.

Contractor's Response

As a condition of our taking on this contract, we were required to absorb the majority of the prior operators existing employees. Therefore, initially we did not administer several tests that might exclude a number of new applicants, in order to maximize the number of existing employees that would maintain their employment status. To clarify, we are currently performing background investigation checks on each new hire. The honesty testing the auditor mentions we believe refers to psychological testing of each applicant.

When hiring, customer service skills/tendencies are evaluated during the interview process and then if the individual is hired, again during the classroom training portion of the new hire process. As for mathematical ability (addition and subtraction) this is covered during basic cashier training, which is not charged to the City. Should a new hire show a lack of mathematical aptitude during this training, they are transitioned to a role as a traffic coordinator.

The four employee files noted by the auditor as having some lack of description/detail involving their background check, have files sealed by the state, hence complete data was not available.

Lastly, we will work with the City's Parking Department to ensure implementation of the appropriate level of new hire testing.

5. Finding - *Contractor's time tracking equipment limitations were observed that could compromise the reliability and accuracy of employee worked hours billed to the City.*

Tests performed on twenty-seven (27) sampled time sheets from one randomly sampled invoice, confirmed that corrections to time sheets and/or irregularities due to time tracking equipment limitations were processed without proper approval, initials, name, and signature of a supervisor from Imperial Parking and the City. Most of the corrections observed were related to the 17th Street Garage, which is a facility used as a hub for assigning contractor personnel to multiple attended surface lots.

Some of the limitations observed on the Contractor's time tracking equipment included the following:

- The time tracking clock and timesheets can only accommodate one hundred (100) employees at a time. Employing more than one hundred (100) employees requires a

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duplication of timesheets, which means that the system is unable to differentiate between hours worked by either of the employees.

- Every Saturday at 3:00am the time tracking equipment resets to a new working week/payroll period. Consequently, hours worked by employees starting prior to the equipment re-set, but working past the reset hour, will have their end of shift time stamped on top of already recorded time stamps on their time sheet for hours worked at the beginning of the week. As a result it is difficult to identify the times stamped on the timesheet.

All these limitations on the time tracking equipment could impact the reliability and accuracy of timesheets, and as a result, the hours billed to the City.

Recommendation(s):

Time tracking devices should be upgraded by the contractor to meet the demands and nature of the day to day operations. The system/equipment should be able to accommodate more than one hundred (100) employees. Also, it should be able to record hours worked involving different payroll periods without incidents.

Management's Response

Agreed. The Contractor has assigned their employees to various facilities for time recordation purposes to ensure that no one facility exceeds the time clock capacity of one hundred (100) employees.

Contractor's Response

The issue with the limitation on over 100 employees being tracked by the time and attendance system (per facility) is a concern only once a year, during the boat show, at the G5 garage. We are able to appropriately work around this once a year issue.

6. Finding - *Documents and records to substantiate the Contractor's profitability were not available and did not fully support those amounts presented.*

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 met on September 18th, 2009 with Management from the Contractor to review all necessary documents and records to substantiate profitability during the first contract year. Based on the information and documents initially provided by the Contractor to the Parking Department, the net operating income during the first contract year was \$18,866 before vehicle depreciation.

However, documents and records provided during Internal Audit's visit did not provide sufficient information to substantiate reported amounts. Consequently, On September 30, 2009, Internal Audit requested additional documents and information to complete this review.

A transaction listing showing incurred expenses by the contractor, as a result of operations from the City's municipal parking facilities, was then provided and reviewed on October 23, 2009. Additional documents and support were provided and reviewed on November 5, 2009.

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Although the contractor was able to reasonably substantiate 87% (as a percentage of total expenses for the contract year) of the incurred expenses during the first contract year, 13% (as a percentage of total expenses for the contract year) of the incurred expenses were not sufficiently substantiated to reasonably assess their accuracy and reliability. As per the contractor, one important reason was 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.

Not sufficiently substantiating the incurred expenses during the first contract year represents a departure from compliance with section 4.9.3 of the agreement. Furthermore, it prevented Internal Audit from reasonably verifying whether or not the profit threshold, as stipulated on the agreement, was exceeded.

Recommendation(s)

In order to improve the availability of documents and records to substantiate the Contractor's profit levels, as well as enhance the time require to perform the review, as required by Section 4.9.3 of the Service Agreement, the Contractor should create a sub-ledger that would identify those transactions generated as a result from operations at the City of Miami Beach municipal parking facilities only. In addition, they should maintain appropriate schedules and corresponding support that would detail any prorated and/or allocated portion of expenses to the City, as well as corresponding calculations. This documentation should be presented to the City so that it could be verified upon request. Furthermore, the contractor should consider upgrading their system, or any other feasible option, that would allow identifying and/or separating those transactions and allocations related to the City of Miami Beach only. Lastly, the contractor should fully document all incurred expenses during the contract year in order to comply with section 4.9.3 of the agreement.

City's Response

Agreed.

Contractor's Response

The 13% of expenses include items such as payroll taxes, including FICA/FUTA/SUTA, workman's compensation insurance, and benefits that were not "reasonably substantiated" are expenses which Impark does not keep track of on a lot level. Modification to our accounting system for this contract alone is not plausible.

Internal Audit Observation

While the contractor contends that modification of their accounting system is not plausible, we feel that their records should at least contain sufficient documentation, whether manual or automated, to substantiate any allocations used.

II. PERFORMANCE EVALUATION

7. Finding – *Inability to provide a daily attendance of at least 90% of the scheduled cashier, attendant, and or supervisor hours at each facility by the Contractor.*

Section II, D of Request for Proposal (RFP) No. 11-07/08 establishes performance standards to be considered for the evaluation of the services carried out by the Contractor. Paragraph

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one (1) of this section mentions that *“failure to maintain a daily attendance record of 90% of the scheduled cashiers, attendants, and/or supervisors at each respective facility shall be deemed as non-performance on the part of the successful Proposer, and shall be subject to a penalty consistent with the dollar value of the duration of time that the employee(s) were absent or \$100.00, whichever is greater, as liquidated damages. The value shall be based on the hourly rate assessed to the City. This formula is based on reduced service levels that the City must absorb by compensating with the reallocation of labor from other duties and/or facilities”*.

In order to verify the Contractor's fulfillment to this performance standard, Internal Audit randomly sampled two (2) invoices. On the first invoice, covering the period from August 11, 2008 through August 22, 2008, a total of fourteen (14) parking facilities were staffed with cashiers, attendants, and/or supervisors in response to a total of one hundred sixty-eight (168) requests (one request per day per facility); out of which, sixty-one (61) showed less than ninety percent (90%) of the total hours requested for at least one of the corresponding positions included in the request. The second invoice, covering the period starting on May 16, 2009 through May 29, 2009, showed that a total of nineteen (19) parking facilities were staffed in response to a total of two hundred sixty-six (266) requests; out of which, sixty-eight (68) reflected less than ninety percent (90%) of the total hours requested for at least one of the corresponding positions. Applicable penalties in relation to these two invoices were estimated to be \$26,647.00 (\$14,451.14, for the first invoice and \$12,195.86 for the second invoice tested.

Although not properly documented and tracked by either, the Off-Street Division of the City's Parking Department or the Contractor, additional inquiries with both parties suggested that in some cases, labor hours not provided by the Contractor could have been the result of a last minute over-ruling request from the Parking Department to close the facility earlier than anticipated, due to minimal activity and lower demand for parking. However, all parties agreed that it was not the case on all of the exceptions noted.

Recommendation(s)

Considering the inherent nature of this finding, both qualitative and quantitative, the City Administration should determine whether a complete and detailed review of all labor hours requested daily for each of the corresponding positions and facility throughout the first term of the service agreement should be conducted and thereafter, for any applicable period in which services and labor hours were rendered by the Contractor. If warranted, a final calculation and assessment of all applicable liquidated damages should be provided and substantiated to the Contractor.

In addition, proper documentation and details should be maintained any time an original request for labor hours is over-ruled by the City's Parking Department for any reason, considering that it is in the best interest of both, the City's Parking Department and the Contractor.

Furthermore, as compensating controls, a data filter should be incorporated on the system software, currently used by the Off-Street Division of the Parking Department and the Contractor to track labor hours requested and rendered, that would assist the City's Off-Street Operational Administration to identify all instances where hours provided were less than 90% of hours requested each day, for each facility, and each corresponding position classification.

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At the same time, restrictions eliminating edit privileges to initial labor hour requests should be incorporated into the software system.

Lastly, the Parking Department should implement policies and procedures to provide for a consistent monitoring and documenting of compliance to this provision.

City's Response

The Off-Street Payroll Hours Reconciliation Software will be upgraded to provide an exception report noting the 90% variance; reasons for said exceptions, albeit, at the City's request or Contractor's liability.

At this time, it would be improbable, if not impossible, to accurately retrace all incidents. Intuitively, certainly not all, but the vast majority of these exceptions were initiated on the City's behalf due to cost saving measures by the Parking Department where either decreased demand; inclement weather, or other mitigating circumstances warranted a reduction of hours thereby creating exceptions to the 90% compliance requirement.

Contractor's Response

It is important to note that Impark keeps strict records on any request from the City involving our working *more* hours than initially scheduled by the City. In this contract, our profitability is embedded in the hourly wage rates charged to the City, therefore, the more employee hours worked, the higher the potential profit for the contractor. There is not any motivation for the contractor to not staff hours that have been scheduled and previously approved by the City.

In addition, the Parking Department regularly reduces hours from the schedule, often at a moment's notice, in order to appropriately reduce costs to the City when they observe business demand is not justifying the current staffing level.

We agree that documenting the occurrences of staffing reductions would be a prudent practice; however, what has been observed by the auditor actually produces a savings to the City rather than lost income.

8. Finding - *Procedural departures and customer service improvement opportunities were identified as a result of conducted field visits.*

Results from site visits performed on December 23, 2008, February 13 and 14, June 17, and August 13 of 2009 to different parking facilities in the City showed that Contractor employees complied with most stipulated requirements and procedures including the proper use of uniforms, proper documentation of vehicle license plate number on tickets, proper completion of required reports, and periodic monitoring of facility capacity and parking accessibility.

However, some procedural departures and areas for customer service improvements were noted and identified as follows:

- Sold tickets in attended surface lots were not always placed on the vehicle's dash board by the seller. This was observed on two (2) out of a total of four visits performed to parking surface lots.
- Violations observed on the surface lot were not effectively and timely communicated to the City's On-Street Parking Enforcement Division for corrective action. This was observed on all four (4) visits performed to surface lots.

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- Monies were accepted for an extension of time for a parked vehicle prior to the expiration of the previously purchased ticket. This was observed in one (1) of the four (4) visits performed to attended surface lots.
- Customers were not greeted and informed, upon arrival, about the importance of maintaining the purchased ticket visible on the vehicle's dashboard. This was observed on all of the four (4) visits performed to surface lots.
- Customers were not greeted on first contact when exiting parking garages. This was observed on all of the four visits performed to parking garages.

Recommendation(s)

Exceptional customer service is one of the City's main objectives and priorities. Accordingly, proper training and supervision should be exercised by the Contractor in order to ensure a consistent application of the same. Also, the contractor should ensure, and verify from time to time the overall knowledge of policies, procedures, and regulations of the City.

City's Response

Agreed.

Contractor's Response

Based on the auditor's findings, we will facilitate a re-training program, including all points noted above, and emphasizing those where the employees were found to be deficient.

EXIT CONFERENCE

An exit meeting was held on January 21, 2010 to discuss the audit report and to solicit management responses noted above. Attendees were Saul Frances, Parking Director, Charles Adams, Parking Assistant Director, Chester Escobar, and General Manager Imperial Parking, James Sutter, Internal Auditor and Fidel Miranda, Auditor. Management responses were received 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 Department Director
Charles Adams, Assistant Parking Director
Chester Escobar, General Manager Imperial Parking