



MIAMIBEACH

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 8, 2010
AUDIT: Parking Towing Revenue Audit
PERIOD: October 1, 2006 to June 30, 2009

This is a regularly scheduled audit of the Parking Department's towing revenue operations as covered by the City's Towing Permits with Beach Towing and Tremont Towing Services, Inc. Audit of towing revenues relating to the Police Department is reported in a separate report.

INTRODUCTION

Chapter 106, Article V, of the Miami Beach City Code, provides for the issuance by the City of towing permits for the towing of vehicles identified by the City as requiring removal from public and private property, as well as vehicle impoundments.

On January 11, 2006 the Mayor and City Commission waived (by 5/7 vote) the competitive bidding requirement and approved towing permits with Beach Towing and Tremont Towing Services, said permits having an initial three year commencing on March 1, 2006 and expiring on February 28, 2009, with a two year renewal at the sole and absolute discretion of the City.

The Major and Commission of the City of Miami Beach, under Resolution No. 2009-26999, authorized and approved a month to month extension of the current towing permits with Beach Towing and Tremont Towing Services, Inc. respectively subject to and contingent upon Beach Towing and Tremont compliance with the additional conditions set forth in Amendment No. 14. Said extension will be on a month to month commencing on March 1, 2009 and expiring no later than August 31, 2009.

Later, on July 22, 2009, the Mayor and City Commission approved, under Resolution No. 2009-27151, an extension of the towing permits with Beach Towing Services, Inc. and Tremont Towing Services, Inc. for a term of two years commencing on September 1, 2009 and terminating on the earlier of August 31, 2011, or the date that Tremont Towing is required to vacate its current premises for commencement of construction of the Sunset Harbor Garage Project; provided, further, that the aforementioned renewal of the towing permits is subject to and continued upon Beach and Tremont's continued compliance with the conditions imposed by the City Commission pursuant to Resolution No. 2009-26999; and further approving the new version of the Administrative Rules and Regulations for Police Department and Parking Department Towing Permits.

Tows are initiated by the Parking Enforcement Officer after determining that a vehicle should be towed. The Parking Enforcement Officer contacts the Parking Department dispatcher who enters vehicle information into the Computer Assisted Dispatch (CAD) system. The CAD system automatically generates a tow number which the dispatcher communicates to the Parking Enforcement Officer in order to create the Vehicle Storage Receipt (VSR). The dispatcher proceeds

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to contact one of the two authorized tow companies to perform the tow on a rotation basis. At the scene of the tow, the Parking Enforcement Officer obtains the signature of the towing company on the VSR.

On a monthly basis, a towing revenue report is printed from the Parking Department's CAD system and a reconciliation is performed between the tow companies and the Parking Department to determine the amount of the towing revenue to be billed. The tow companies shall pay the City a permit fee of \$25.00 for each vehicle towed pursuant to the contracted towing permit and \$12.50 for each vehicle that is disconnected from the towing truck at the scene (drop fee). Amendment No. 14 contains a waiver of this drop fee effective February 1, 2009. The invoices are prepared on the City's Eden system and approved for billing by the Parking Department. Once the amount is approved by the Parking Department, the invoice is printed and mailed by the Finance Department.

Per City of Miami Beach Police Department and Parking Department Towing Permit Amendment No. 13 and 14, Section 34.1, *"The City of Miami Beach shall bill the Permittee by the 10th of each month for the tows occurring in the previous month. A late charge of \$50.00 plus eighteen percent per annum interest charges shall be assessed on all payments received after the 20th day of the billing month."*

Revenues generated for parking towing fees were as follows:

	FY 06/07	FY 07/08	FY 08/09	Total
Revenues Generated	\$ 238,881.48	\$ 200,555.65	\$ 255,834.00	\$ 695,271.13

OVERALL OPINION

The Parking Department's towing operation is sufficiently handled in regards to the dispatcher assigning and recording tows in a manner that provides for the billing of monthly tows. However, the department falls short as it relates to the following areas in need of improvement:

- Tow companies are not being billed in a timely manner by the City.
- Tow companies were not timely paying in accordance with the towing permit and carried large balances due to the City until recently paid.
- Decreasing refund/release tows and improving documentation for releases of vehicles with waiver of towing fees.
- Inaccurate recording of one month's revenues into the Parking Department's general ledger account.

PURPOSE

The purpose of this audit is to review the operations of the Parking Department as it relates to recording, invoicing and collecting revenues associated with owing fees in accordance with the towing permits between the City of Miami Beach Police Department and Beach Towing and Tremont Towing; determine whether the revenue from permit fees were paid in accordance with City Code and operating policies and procedures; whether the amount paid agrees with the permit rates; and whether all transactions were correctly billed and timely received by the City and properly recorded in the City's Financial System.

OBJECTIVES

1. Confirm that the Parking Department has detailed policies and procedures for the reconciliation and billing of towing services.
2. Determine whether internal controls are sufficient and in place to control billing and receipt of revenues from the tow companies.
3. Determine if reconciliation of tows dispatched to amounts billed are performed.
4. Confirm that all vehicle storage receipts are compared to monthly systems report of tows and the City bills issued.
5. Confirm that City billings are correctly calculated and are issued and paid by the tow companies on a timely basis.
6. Verify that receipts were correctly recorded into the City's general ledger on a timely basis.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: Timeliness of Invoicing.
Amendment No. 13, "City of Miami Beach Police Department and Parking Department towing Permit", Paragraph 34.1, "Permit Fee-Monthly Billing", states "*the City of Miami Beach shall bill the Permittee by the 10th of each month for all tow occurring in the previous month*".

Internal Audit tested all 69 invoices for the audit period of which none were billed in accordance with the Towing Permit terms, by the 10th of the month. The delay in the billing process was partly due to the tow companies not having a representative available within the first 10 days of each month to meet with the Parking Department in order to reconcile the monthly tows.

Recommendation:

The Parking Department should discontinue meeting with the tow companies prior to creating the invoice. Rather the invoice should be prepared from the Parking Department's reports and then submitted to the tow companies. The tow companies in return would have the responsibility to reconcile any discrepancies within 20 days and make payment to the City.

Management's Response

In an effort to expedite the invoicing process, a City of Miami Beach Parking Operations Supervisor will personally pick-up the tow slips from each company required to complete the invoice for the previous month on the 3rd day of the following month. This will avoid the delay of meeting with each company enabling us to complete the invoice before the 10th of the month.

2. Finding: Outstanding towing fees due to the City
Out of the sixty-nine (69) invoices tested, forty five (45) invoices were not paid timely by the permit holders. In addition, ten (10) invoices from Beach Towing totaling \$102,175.10, and one (1) invoice from Tremont Towing totaling \$11,325.00 were outstanding during our audit as of October 16, 2009.

More over, we noted that past due fees and interest are not being billed to the tow companies. As stated on the Towing Permit Amendment No. 13, "*a late charge of \$50.00*"

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plus eighteen percent per annum interest charges shall be assessed on all payments received after the 20th day of the billing month". The lack of timely invoicing of past due fees and interest leads to loss of additional revenues for the City.

In order to quantify the impact of not billing "late fees" and "interest", we reviewed the invoices tested and noted the following, as of October 16, 2009:

INVOICES PAID LATE

Permit Holder	Number of Invoices Paid Late	Average Number of Days Late	Accrued Late Fees	Accrued Interest	Total Amount Owed
Tremont Towing	17	6	\$ 850.00	\$ 420.87	\$ 1,270.87
Beach Towing	28	102	\$ 1,400.00	\$ 13,111.18	\$ 14,511.18

OUTSTANDING INVOICES

Permit Holder	Number of Invoices Outstanding	Amounts Outstanding	Average Days Late	Accrued Late Fees	Accrued Interest	Total Amount Owed
Tremont Towing	1	\$ 11,325.00	45	\$ 50.00	\$ 251.32 (1)	\$ 11,626.32
Beach Towing	10	\$ 102,175.10	166	\$ 500.00	\$ 7,778.70 (1)	\$110,453.80

(1): Amounts subject to change based on the amount of time that the balances remain outstanding.

During the audit the Parking Department met with the towing companies and assessed penalties and interest for the late and unpaid amounts due. Outstanding invoices were subsequently collected in the amounts of \$11,325.00 and \$111,087.15 from Tremont Towing and Beach Towing respectively. Late fees and accrued interest for previous invoices paid late are being research by the Parking Department.

Recommendation:

Going forward the Parking Department needs to closely monitor and follow up on any unpaid or late invoices. Any outstanding invoice over 30 days should be considered cause for termination of the towing permit. In addition, the Parking Department should invoice the towing companies for any late fees and interest due.

Management's Response

Late fees and penalties under this contract are set at a different rate than the regular Finance Department fees. This requires that the Parking Department prepare a separate invoice for these fees. From this point forward the Parking Department will include any previous month late fees in the current month's regular billing.

3. Finding: *Decreasing refund/release tows and improving documentation for releases of vehicles with waiver of towing fees*

The Parking Department's Standard Operating Procedures (S.O.P.), as it relates to the towing revenue operation, is silent with regards to criteria for towing a vehicle. Inquiries made with parking personnel revealed that primary consideration before towing a vehicle is determined by signage (Example: "No Parking anytime"); whether the vehicle is parked in a manner that poses a safety issue; or when a tag number entered into the hand held

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"AutoCite" computer shows an impound order, as a result of unpaid tickets or any other reason. AutoCity computer information is downloaded daily from Miami Dade County with all the vehicles that need to be impounded.

A review of City refunds made to vehicle owners for tows over the audit resulted in the following amounts being paid:

	FY 06/07	FY 07/08	FY 08/09
Total Refunds	\$10,158.52	\$8,506.85	\$5,053.50
# of Refunds	49	43	23

While there may be inherent reasons that on occasion tows may occur resulting in a refund to the vehicle owner, it is positive to see that this trend is decreasing.

In addition, we noted that there were a few impounded vehicles that were released at no charge to the vehicle owners. While there is sometimes a CMB "Request to Release Towed Vehicle" form or the "Vehicle Storage Receipt" form signed by either a Police or Parking enforcement officer authorizing the release documentation, some did not have any documentation supporting the reason or approval of the release. For example during the month of April 2009 a total of twenty-one (21) cars, of which three involved City employees, were release with no charge. The reasons given were officer's mistake or in the three employee incidents at the discretion of a City of Miami Beach employee to other City employees as a "professional courtesy to a colleague". For an additional thirteen months tested, averages of 7.5 tows per towing company were not charged for similar reasons.

Per amendment number 13/14 of the City's towing permit contract, paragraph 12.4, "*The City of Miami Beach Police or Parking Department shall pay the towing fees in an improper tow.*" While this poses a risk that the tow companies may charge the City for a tow which the City authorized a release without charge, this does not occur since the tow companies absorb the cost of the tow for these releases.

Recommendation:

The Parking Department should establish Standard Operating Procedures, (S.O.P) to include detailed criteria for towing a vehicle in order to minimize any exposure for refund/release tows. Furthermore, vehicle release forms should be completed in their entirety with the proper authorization. The City should limit the releases without charges to employees if the tow was for valid reasons and discontinue extending a courtesy to employees.

Management's Response

The Parking Department will institute the following policy:

Tow Refund/Release Policy

The Parking Department Director, Assistant Parking Director, and Parking Enforcement Manager are empowered to authorize the refund or release of an impounded vehicle.

At times, members of the public that have had their vehicle impounded by a towing permittee at the request of a Parking Department Enforcement Agent may demonstrate bona fide reasons to effectuate a release or refund. The following are examples that may warrant a

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release: including but are not limited to, undercover police vehicles; customer service/goodwill gestures; customer's that can demonstrate extenuating circumstances. This list is not intended to be all encompassing.

4. Finding: *Inaccurate recording of transactions in general ledger account.*
Two Police towing invoices totaling \$7,000.00 (one for each towing company) for the month of August 2008 were recorded in error to the Parking Towing Revenue general ledger account. This resulted in the over reporting of revenues to the Parking fund and a under reporting of revenues to the Police account in the General Fund.

Recommendation:

A monthly reconciliation should be performed by the Parking Department, to ensure that all revenues are properly and timely recorded in the correct general ledger account. Any discrepancies should be notified to the Finance Department immediately so that journal entries may be performed.

Management's Response

Since December 2008 – the Parking department has been entering the invoices (city bills) directly into EDEN which should in turn avoid any erroneous posting with payments received for invoices produced in the Parking Department. Once the invoice is entered, it is the Finance Department's responsibility to post the payments to the appropriate open invoices (the open invoices already include the GL account numbers). However, we periodically check our accounts in order to make sure that everything is accounted for. This should also be done by the Police Department and Finance Department.

EXIT CONFERENCE

An exit conference held on January 12, 2010 to discuss the audit report and to solicit management responses noted above. Attendees were Saul Frances (Parking Director), Chuck Adams (Assistant Parking Director), Rocio Rodriguez (Financial Analyst III), Robert Jenkins (Parking Operations Manager) and James Sutter (Internal Auditor). Management responses were received shortly thereafter. All were in agreement with the contents of this report.

Audit performed by Pablo Saballos, Internal Audit Contractor

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CC: Jorge Gomez, Assistant City Manager
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