



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: June 7, 2010
AUDIT: Police Towing Revenue Audit
PERIOD: October 1, 2006 – June 30, 2009

This is a regularly scheduled audit of the Police 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 Parking 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, Inc. 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.

The Police Department Standard Operating Procedure (SOP) list several reasons as to why a vehicle would be towed. The most common ones are as follows; severe injury or death to the driver/occupants and/or disabling damage incurred in a motor vehicle traffic accident; the driver taken into custody, the vehicle would left unattended on the street; and the vehicle has been stolen or used in the commission of a crime.

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Tows are initiated when a Miami Beach Police Officer radios in to the Public Safety Communications Unit (PSCU) to request tow service usually due to an arrest or traffic accident. PSCU Dispatcher initiates a case and assigns a case number to the call and communicates it to the MBP Officer. An FCIC (Florida Crime Information Center) Acknowledgement check based on the Vehicle Identification Number (VIN) as well as a Clearance Check on the registered owner is run and the vehicle is recorded into the FCIC system as having been towed. The officer fills out and signs a Vehicle Storage Receipt (VSR) which becomes the controlling document for the process. The wrecker driver signs the VSR and keeps two copies (yellow and pink copies). Two copies (white and green) of all VSRs are turned into the Property & Evidence Unit by each MBP Officer that fills one out and each officer keeps one copy (blue) for their report review by their supervisor.

An MBPD messenger picks up the tow companies' payment receipts (with yellow copy of the tow company's VSR) for all vehicles impounded that have been picked up by their owners. These get delivered to the Property & Evidence Technician (PE Tech) who reconciles them.

After each month, the PE Tech prints out the Impounded Vehicles Report from the CAD system which lists the information of each vehicle that has been towed and impounded by each the two tow companies for the month. The PE Tech uses the report total to create a memorandum with the total number of vehicles towed for the month by each tow company. This memorandum is forwarded to the Finance Department via interoffice mail to be processed for billing of Towing Fees. 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 Finance Specialist creates an invoice in the Eden system with the information in the memorandum received from the Police Department and the invoice is mailed out.

Per the 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 by police tows were as follows:

	FY 2007	FY 2008	FY 2009	Grand Total
Revenues Generated	\$ 101,050	\$ 93,500	\$ 147,325	\$ 341,875

OVERALL OPINION

The Police Department's towing operation is sufficiently handled in regards to the dispatcher assigning tows. However, the department falls short as it relates to the following:

- Timeliness of invoicing and completeness of supporting documentation.
- Errors were noted in City billings which reflected private tows.
- Records could not be located to substantiate payment for missing invoices for the month of April 2008.
- Tow companies are not timely paying in accordance with the towing permit and/or have

outstanding balances due to the City.

PURPOSE

The purpose of this audit is to review the operations of the Police Department as it relates to recording, invoicing and collecting revenues associated with owing fees in accordance with the towing permit 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 Police 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 and completeness of supporting documentation*
Amendment No.13 City of Miami Beach Police Department and Parking Department towing Permit, Paragraph 34.1 Permit Fee-Monthly Billing, states that the City of Miami Beach shall bill the Permittee by the 10th of each month for all tows occurring in the previous month.

Internal Audit tested all sixty-two (62) invoices for timeliness, accuracy and completion. None of these invoices were billed in a timely manner and/or in accordance with Police and Parking Towing Permit terms. On average, invoices were dated on the 28th day of billing month.

In addition, eighteen (18) out of twenty-two (22) invoices selected from the 62 invoices above for detail testing, had no detailed supporting documentation to support the number of tows forwarded to the Finance Department for billing. The Police Department only maintained a copy of the memorandum sent to the Finance Department for billing. The old CAD system reports were not kept by Police nor were they forwarded to Finance Department.

Recommendation:

The Police Department should forward any and all relevant information supporting monthly

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tows performed to the Finance Department at month end to allow sufficient time for timely invoicing the corresponding tow companies. In addition, the Police Department should consider revising their Standard Operating Procedures to include datelines to verify the accuracy and reliability of monthly tows and corresponding reports, as well as to ensure that such information is forwarded to the Finance Department with sufficient time to allow the invoices to be prepared and issued timely in accordance to Amendment No. 13.

Management's Response

The Police Department shall forward any and all relevant information supporting monthly tows performed to the Finance Department no later than the end of the first week of the following month. This will provide sufficient time to allow the invoices to be prepared and issued timely in accordance to Amendment No. 13. In addition, the Police Department shall maintain a copy of the information sent for later review if needed.

2. Finding: *Errors in City Billings reflecting private tows*

Out of the twenty-two (22) invoices selected from the initial sample for detail testing, four (4) invoices were inaccurately billed due to the Computer Assisted Dispatch (CAD) system report used. After closer review, it was noted that the new CAD report was capturing "Private" tows that are not supposed to be billed since the CAD system was updated in December 2008. As a result the numbers of tows reported to Finance Department have been overstated causing inaccurate billings from December 2008 forward.

A review of the detailed report for April 2009 was performed and individual private tows were deducted resulting in overbillings to Tremont Towing in the amount of \$3,775.00 and to Beach Towing in the amount of \$275.00.

Recommendation:

Invoices prepared since December 2008 should be corrected to remove private tows and revised to reflect the correct amount outstanding which should then be communicated to the tow companies.

The CAD system report should be reviewed and the parameters corrected for accurate billings. Inquiry with the PSCU revealed that there has been an approval of the purchase of a module for the CAD system, which will allow the creation of customized reports to filter out any tow records not to be billed. Until this module is in place, and sufficient testing has been performed to ensure the reports are capturing accurate data, the PE Technician must review each record on the Impounded Vehicle Report to quantify the total tows to be billed.

Management's Response

The CAD System reports prepared since December 2008 are currently being reviewed and corrected to remove private tows. Once complete, these figures should be forwarded to the Finance Department so invoices can be revised to reflect the correct amount outstanding.

A new CAD System report has been developed with revised parameters to ensure accurate billings. This report shall be compared to each record on the Impounded Vehicle Report for a 90 day test period to ensure accurate data is being captured.

Any future invoice disputes must be submitted by the towing companies within 30 days of issuance of the invoice to the Police Department, Property and Evidence Unit Commander.

3. Finding: *Outstanding towing fees due to the City.*

Towing fees are not collected in accordance with towing permit terms. A total of sixty-two (62) invoices representing the entire population were tested revealing a total of eight (8) invoices (seven from Beach Towing and one from Tremont Towing) totaling \$39,850.00, excluding late fees and accrued interest that were yet to be collected from the tow companies as of October 13, 2009. Furthermore, there were five invoices (Tremont Towing) that were partially paid and therefore with outstanding balances totaling \$19,675.00 collectively. As of October 13, 2009 Beach Towing owed the City a total of \$43,675.00 of past due invoices, and at the same time, a total of \$42,872.00 was owed by Tremont Towing from past due invoices, excluding late fees and accrued interest. One of the contributing factors for the nonpayment of invoices since December 2008 maybe due to the inaccuracy of invoices attributed to the updating of the City's CAD system as discussed in the finding above. While the more recent invoices may have been inaccurate, this does not account for as to why other older invoices have not been paid timely.

Additionally, we noted that past due fees and accrued interest are not being billed to the tow companies. As stated on the Towing Permit Amendment No. 13, "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".

In order to quantify the impact of not billing past due fees and interest, we reviewed the invoices tested and noted the following:

INVOICE BALANCES PAID LATE

Permit Holder	Number of Invoices Paid Late	Average Number of Days Late	Accrued Late Fees	Accrued Interest	Total Amount Owed
Tremont Towing	20 (1)	24	\$ 1,000.00	\$ 868.67	\$ 1,868.67
Beach Towing	25	90	\$ 1,250.00	\$ 3,330.48	\$ 4,580.48

(1): Partial Payments for five (5) invoices were included. Accrued interest on outstanding balances from partial payments was included on the next table. However, one time late fees for partially paid invoices were accounted on this table to prevent duplication.

OUTSTANDING INVOICE BALANCES

Permit Holder	Number of Invoices Outstanding	Amounts Outstanding	Average Days Late	Accrued Late Fees	Accrued Interest	Total Amount Owed
Tremont Towing	9 (2)	\$ 42,875.00	148	\$ 200.00	\$ 2,483.32 (3)	\$ 45,558.32
Beach Towing	10	\$ 43,675.00	143	\$ 500.00	\$ 3,049.04 (3)	\$ 47,224.04

(2): Outstanding Balances from five (5) partially paid invoices were included

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

It is the responsibility of each department to collect revenues associated within its area. The lack of collection of past due fees and interest may results in a loss of revenues to the City.

Outstanding invoices were subsequently collected from Beach Towing totaling \$ 43,675.00. Additionally, a portion corresponding to late penalties and accrued interest were invoiced and paid by Beach Towing in the amount of \$3, 868.37 on November 4, 2009. No additional

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amounts for late fees and accrued interest have been paid.

However, out of the total of \$42,875.00 from outstanding invoice balances identified in our finding from Tremont Towing, \$4,000.00 has been collected with a balance of \$38,875.00 still outstanding, as of June 1, 2010, for invoices issued during our audit period. No payment for applicable late charges and accrued interest has been received.

Recommendation:

The Police Department should immediately pursue collection of all balances due from the tow companies of all outstanding invoices and corresponding late fees and accrued interest.

Reconciliation of any outstanding invoices which are in dispute by the tow companies should be immediately performed. The Finance Department should consider transferring the billing function to the Police Department similar to the process used for the Parking Department's billings. This will enable the Police Department to have direct access to Eden reports to determine whether collections of invoices are timely. Going forward the Police 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 Police Department should separately invoice the towing companies for any late fees and interest due.

Management's Response

Police Department

As stated earlier, the Police Department is currently reviewing it's reporting of towed vehicles since December 2008. Upon completion, representatives of the Police and Finance Departments should meet to review outstanding balances and payments received to determine if credits are warranted.

Finance Department

The Finance Department will train the Police Department on how to use the City's integrated financial system's accounts receivable module in order to properly and timely invoice for monies due to the City; as well as, using system generated reports for collection efforts. This process is currently in effect in various other City Departments and has proven to be efficient, effective and successful.

4. Finding : *Missing Invoices for April 2008*

No records available reflected any invoice for tows performed in the month of April of 2008 for each tow company. General ledger accounts do not reflect amounts billed for this month.

Lack of detailed support for invoices billed and a monthly review of the tow billings results in inaccurate billings and/or inaccurate recording of transactions.

Subsequent to Internal Audit's finding, invoice number 00013465 was prepared on August 28, 2009 by the Finance Department and issued for the amount of \$4,025.00 corresponding to the tows performed during the month of April, 2008. No amounts corresponding to this invoice have been collected, as of June 1, 2010.

Recommendation:

Transferring the billing function to the Police Department as specified in finding #3 above would enhance accountability of ensuring that all invoices are billed. In the meantime, the Finance Department should provided training to the Police Department to perform cursory reviews of invoices on Eden system to ensure that no monthly billing is overlooked or

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skipped. Following up on the collection of this invoice should be included in the Police Department's collection efforts.

Management's Response

Finance Department:

The billing function will be completely transferred to the Police Department as specified in finding #3 and should provide enhanced accountability of ensuring that all invoices are billed. The Finance Department will provide training to the Police Department on how to perform cursory reviews of invoices on the City's integrated financial system's accounts receivable module to ensure that no monthly billing is overlooked or skipped. Following up on the collection of this invoice will be included in the Police Department's collection efforts.

EXIT CONFERENCE

An exit conference held to discuss the audit report and to solicit management responses noted above. Attendees were Raymond Martinez (Assistant Police Chief), Hernan Cardeno (Division Commander) 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 (Audit Consultant)

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cc: Carlos Noriega, Chief of Police
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