



Joseph M. Centorino, Inspector General

August 11, 2021

TO: Honorable Mayor and Members of the City Commission
FROM: Joseph Centorino, Inspector General

RE: First Class Parking Systems, LLC - Compliance Audit
2015/18 Concession Agreement in effect from October 1, 2015 through September 30, 2018
OIG No. 21-04

As the concession agreement adopted through Resolution No. 2015-28943 was nearing its September 30, 2018 expiration, the Parking Department approached the then existing Office of Internal Audit (which was subsumed into the Office of the Inspector General or OIG on November 1, 2019) in April 2018 to conduct an audit of First Class Parking Systems, LLC's compliance with the terms of the corresponding 2015/18 agreement.

However, the concessionaire did not provide some of the requested records and needed information despite repeated requests, and the concession agreement expired before the requested audit was completed. Further, the concessionaire's lack of responsiveness was also communicated to the Parking Department, but the concessionaire still failed to provide all the requested information.

As OIG staff was waiting for these records, the concessionaire went through the procurement process, and was awarded a new valet parking agreement with the City, commencing on November 1, 2018. As a result, a second audit was conducted of this agreement and its annual amendments that were incorporated into subsequent agreements. More specific on-site testing was also conducted at the 2018 and 2019 Design Miami and Art Basel Miami Beach events to better measure the concessionaire's performance with the terms of the 2018/19 and 2019/20 agreements and its stricter terms where non-compliance with City requirements is frequently tied to financial penalties.

Consequently, OIG staff prepared two separate audit reports. This audit report covers the concessionaire's compliance with selected terms in the 2015/18 agreement, while the second audit report covers the 2018 and 2019 Design Miami and Art Basel Miami Beach events, plus the terms of concession agreements in existence from October 1, 2018 through April 31, 2020. It is recommended that both audit reports be read concurrently to accurately measure the concessionaire's performance and the City Parking Department's monitoring of these agreements' terms, as well as to determine any improvements made and/or corrective action taken during the 55-month combined audit period.

BACKGROUND

On September 15, 2020, the Mayor and City Commission adopted Resolution No. 2010-27474, authorizing First Class Parking Systems, LLC (concessionaire) to manage and operate the valet parking services at the Miami Beach Convention Center (MBCC), the Fillmore Miami Beach at the Jackie Gleason Theater (Fillmore), and other City properties between October 1, 2010 and September 30, 2013. The concession agreement included many terms, such as monthly fixed minimum rental payments, required insurance coverage, signage, performance bonds, property maintenance and others. On September 11, 2013, the City Commission approved a two-year renewal option under the agreement, valid through September 30, 2015.

On March 11, 2015, the Mayor and City Commission approved Resolution No. 2015-28943, waiving competitive bidding requirements and authorizing the City Administration to negotiate an extension to the concession agreement. The City executed a three-year extension on September 22, 2016, with the term of the agreement retroactively commencing on October 1, 2015, and ending on September 30, 2018, or upon substantial completion of the multiple-year renovation and expansion project of the MBCC.

In anticipation of the completion of the MBCC renovation and the expiration of the concession agreement on September 30, 2018, the Mayor and City Commission adopted Resolution No. 2018-30399 on July 25, 2018. This resolution authorized the City administration to enter negotiations with the concessionaire and recommended that the City extend the existing agreement on a month-to-month basis until the execution of the new contract. The 2015/18 agreement terminated on October 31, 2018, as the new 2018/19 agreement adopted by the City Commission commenced on November 1, 2018.

Concessionaire Valet Parking Venues

Section 2.1 of the 2015/18 agreement grants the concessionaire the right to maintain, manage, and operate, at its sole cost and responsibility, a valet parking concession for the following City properties:

- a) The Fillmore, located at 1700 Washington Avenue, Miami Beach, Florida, 33139; and
- b) MBCC, located at 1901 Convention Center Drive, Miami Beach, Florida, 33139; and
- c) Such other City properties, as may be authorized, in writing, by the City Manager, in his sole discretion.

Valet Operations Process Summary

The MBCC and Fillmore valet operations process begins when a customer arrives to drop-off a vehicle. A concessionaire employee provides a valet ticket to the customer who is directed to proceed to the nearby kiosk to pay for the valet service. Once there, a concessionaire employee informs the customer of the price for the valet service, \$20 per vehicle for all venues per Section 15 of the 2015/18 agreement, and the steps required to request the vehicle for pick-up by text message, telephone number, or in person. The valet attendant then drives the customer's vehicle to an assigned storage location where it is parked.

When the customer returns and submits the valet ticket to the attendant at the kiosk, the concessionaire's employee scans or manually enters the ticket number into the valet software (Flash Valet) and requests the vehicle for retrieval. Similarly, vehicle requests made by patrons through text or by calling an automated telephone line are automatically requested in Flash Valet. Once the request for the vehicle is sent, it is accepted by a concessionaire employee at the appropriate valet storage location where the vehicle and its keys are stored.

A valet runner is then assigned at the storage location to drive the vehicle to the valet ramp where the customer initiated the request. Upon the arrival of the valet runner with the requested vehicle, the podium attendant either sends a text message to text requests, places an automated phone call to phone requests, or calls out the vehicle description and ticket number to alert the customer that the vehicle has arrived at the valet ramp. If the vehicle is not claimed by the customer at the valet ramp, the concessionaire holds the vehicle at the valet ramp for an unspecified additional amount of time. If the vehicle remains unclaimed, it may be driven back to the storage location and re-parked using the same valet ticket number by the concessionaire's staff. Valet customers must request the vehicle again to re-initiate the process to retrieve any re-parked vehicles.

OVERALL OPINION

The concessionaire was determined to be compliant with the tested provisions of the 2015/18 agreement, except for the following findings:

- Non-compliance with maintenance/examination of records requirements
- Late payments were submitted for 17 of 39 (43.59%) invoices billed from October 1, 2015 through September 30, 2018

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this audit was to evaluate whether First Class Parking Systems, LLC (concessionaire) complied with selected terms in the 2015/18 agreement and to determine whether the Parking Department adequately administered said agreements. Accordingly, this audit focused primarily on determining whether the following objectives were satisfied or achieved:

- Confirm that the concessionaire complied with selected criteria outlined in the 2015/18 agreement, including, but not limited to, comparing calculated turnaround times to stated Performance Standard goals, monitoring the rates charged, and assessing the performance of observed staff toward valet patrons.
- Confirm that the concessionaire has implemented adequate internal controls in its valet parking operations in following valet parking guidelines established by the City.
- Confirm that the concessionaire is current with its annual business tax receipts and has maintained at least the required insurance coverage during the audit period.
- Confirm that concession fees have been accurately and timely paid in accordance with the 2015/18 agreement's stated terms. If not, determine whether the appropriate amount of late charges was timely billed and paid.

The OIG conducted this audit in accordance with its Standard Operating Procedures, which require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on audit objectives. The OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions in this report based on audit objectives.

The audit methodology included the following:

- Reviewed selected provisions within the 2015/18 agreement between the City and First Class Parking Systems, LLC.;
- Interviewed and made inquiries of staff to gain an understanding of internal controls, assessing control risk, and planning audit procedures;
- Performed substantive testing consistent with the audit objectives, including, but not limited to, examining a sample of applicable transactions and records;
- Drew conclusions based on the results of testing, made corresponding recommendations, and obtained auditee responses and corrective action plans; and
- Performed other audit procedures as deemed necessary.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

1. Finding: Non-Compliance With Maintenance/Examination Of Records Requirements

Section 4 of the 2015/18 agreement required the concessionaire to maintain current, accurate, and complete financial records, on an accrual basis, related to its operations pursuant to this agreement. Financial records and accounts must include, at a minimum, a breakdown of gross receipts, expenses, and profit and loss (income) statements.

The concessionaire must also maintain accurate receipt-printing cash registers (or a like alternative) for each venue, which will record and show the payment for every sale made or service provided at said venue. Furthermore, the concessionaire was also required to submit a monthly report of activities to the City Manager's designee, the Parking Department, by the 15th of each month, for the activities of the preceding month. At a minimum, this report must contain a chronological listing of events serviced, including the event name, date, time, exact location(s), number of transactions (vehicles), gross receipts per location, and gross receipts totals.

The concessionaire is required to submit an annual statement of gross receipts, in a form consistent with Generally Accepted Accounting Principles (GAAP), to the Parking Department within 60 days of the end of each contract year. Such statement is to be accompanied by a report from an independent Certified Public Accounting (C.P.A.) firm certifying the report.

Lastly, Section 12 states, *"Concessionaire acknowledges that timely acceptance and return of patron vehicles directly impacts patron's experience of Venues serviced in this Agreement. As such Concessionaire agrees to ensure that not less than eighty percent (80%) of all vehicles parked for any Venue event shall be returned to patrons within twenty (20) minutes of patrons' request for a vehicle (the "Performance Standard"). In the event Concessionaire fails to meet this standard for any Venue event, Concessionaire shall pay to the City a penalty in the amount of Forty and No/100 Dollars (\$40.00) for every vehicle delivered below the Performance Standard (the "Penalty")."*

OIG staff requested financial records from the concessionaire, starting in May 2018, including monthly reports of activities and annual statements of gross receipts, to determine compliance with Section 4. OIG also requested Flash Valet turnaround time data from the concessionaire to determine whether the established Performance Standard

addressed in Section 12.1 was achieved. The valet data requested included records for valet operations at all City venues covered under section 2 of the 2015/18 agreement and locations identified on the concessionaire's BTR certificates during fiscal years 2015/16, 2016/17, and 2017/18. Although the concessionaire did submit the monthly valet operations activity reports, a breakdown of gross receipts and some amount of valet data listed in Section 4, it failed to provide the following records:

- a. Financial Records – The concessionaire did not provide the requested breakdown of expenses or profit and loss (income) statements. While these financial records required by the 2015/18 agreement had not been received by the end of this audit, OIG staff does not believe they are needed by the City to determine the concessionaire's compliance with the stated terms. The concessionaire's expenditures are irrelevant in determining any monies owed to the City. Other than fixed monthly minimum payments, the City may be due a true-up at the end of each contract year based on the concessionaire's annual vehicle volume change at the MBCC pursuant to Section 3, which does not require either a breakdown of expenses or the profit and loss (income) statements.
- b. Annual Statement of Gross Receipts - The concessionaire did not provide annual statements of gross receipts certified by an independent C.P.A. firm.
- c. Turnaround Time Data – The concessionaire provided requested turnaround time data from the Flash Valet software for all MBCC and Fillmore events occurring during the audit period, except for nine events (2,977 valet records) serviced at the MBCC and sixteen events (1,075 valet records) at the Fillmore for a total of 4,052 valet records. Among other features, Flash Valet is used by the concessionaire to track all valet parked vehicles in inventory and to record times such as when the vehicle was dropped off by the customer, when it was requested for retrieval, when the valet transaction was completed, etc.

The concessionaire also stated that it did not use the Flash Valet software or provide receipt-printing cash registers (or a like alternative) to OIG staff, pursuant to the 2015/18 agreement for the following venues:

- i. Miami Beach Botanical Gardens - 2000 Convention Center Drive
- ii. The Bass Museum - 2100 Collins Ave
- iii. New World Symphony - 1672 Drexel Ave
- iv. 1000 Lincoln Road & Lenox Ave

As a result of the concessionaires' failure to provide all the needed supporting documentation/information, OIG staff was unable to determine if the concessionaire complied with Section 12.1's Performance Standard for the identified nine MBCC events, 16 Fillmore events, and the four other venues serviced.

Recommendation(s):

No further action necessary as the 2015/18 agreement expired on October 31, 2018, and its terms are no longer applicable.

Concessionaire's Response:

See Exhibit A which contains the Concessionaire's Responses in their entirety.

Parking Department's Response:

Findings in this section relate to the failure of the concessionaire to submit documentation required by the contract and Parking staff's apparent failure to document requests for concessionaire compliance. While reports were not available, staff did make efforts to obtain the required documents. The former Department Director met with the concessionaire on multiple occasions and two (2) Notices to Cure were issued. However, the City found itself in a difficult position due to the uncertainties related to the construction at the Convention Center and its impact on valet demand, which made issuance of an RFP at that time undesirable. Additionally, there were no second or third ranked companies to assume the contract. Consequently, the Department worked cooperatively with the Concessionaire, ensuring all events were covered and excellent customer service was delivered. Additionally, the Parking Department took the initiative to incorporate penalties and late fees on the New Contract to ensure future concessionaire compliance. The following RFP process called for one-year terms and the City ranked companies in second and third place providing alternatives for the City should the concessionaire awarded the contract not comply with the terms.

Regarding the lack of turn-around time information for The Bass Museum, Lincoln Road, New World Symphony, and the Miami Beach Botanical Garden, these were smaller events and were not part of the Flash Valet system. Regarding missing information for nine (9) MBCC events and sixteen (16) events at the Fillmore, staff has documentation for some of these events and could possibly document more or all of them. In fact, information for events are listed on a monthly report. It is strange that one entry listed as missing is included in the monthly report along with all events that month.

OIG Audit Observation:

The 2015/18 agreement states that the concessionaire must maintain accurate receipt-printing cash registers (or a like alternative) for each venue, which will record and show the payment for every sale made or service provided at said venue. It does not mention, as referenced above in the Parking Department's response, that smaller events held at venues other than the MBCC and the Fillmore, are excluded from this requirement. As such, the Parking Department should have timely notified the concessionaire of this omission and had them comply with the requirement. Consequently, the concessionaire could have recorded all transactions occurring at approved venues in Flash Valet pursuant to the agreement.

Upon request, the OIG sent several emails to the Parking Department concerning the missing transactional information in Flash Valet for the nine MBCC events and 16 Fillmore events. As a result, the Parking Department provided some daily summaries (as shown below) on February 3, 2021, but the Flash Valet supporting transactional information was never furnished.

Sep-17	09/01/17	MBCC	Home & Design	129204	129310	106
	09/02/17	MBCC	Home & Design	129311	129715	404
	09/03/17	MBCC	Home & Design	129715	130125	410
	09/04/17	MBCC	Home & Design	130125	130433	308

Although these daily summaries add some value, they have many limitations. For example, there is no means to verify the accuracy of the listed data and one cannot determine how many valet transactions occurred within/outside the 20-minute benchmark.

2. Finding: The Concessionaire Submitted Late Payments For 17 Of 39 (43.59%) Invoices Billed From October 1, 2015 Through September 30, 2018

The 2015/18 agreement specifies the criteria by which concessionaire payments submitted to the City are determined to be either on-time or delinquent. The 2015/18 concession agreement required the submittal of concession fee payments by the 15th day of each month and established late payment interest, 18% per annum, to be charged to the concessionaire for payments submitted after the due date.

In addition, Section 3.1 details an annual true-up credit or payment, that is to be paid to the City or the concessionaire as applicable, within 30 days of the City’s transmittal of written notice regarding the true-up calculation to the concessionaire. This true-up calculation is based on the vehicle volume change which means, *“the change between the actual number of vehicles serviced at the MBCC Venue during the previous Contract Year as compared to the total number of vehicles serviced during the Contract Base Year, based upon the percentage of change which Concessionaire experienced during the previous Contract Year, as compared to the Base Contract Year (“Vehicle Volume Change”).”*

An analysis was done of all payments submitted by the concessionaire to the City for the October 1, 2015 through September 30, 2018 audit period whereby the following results were obtained (see Table 1 below):

Table 1

Invoice Categories	Billed	Paid	Invoices	Unpaid/(Overpaid)	Abated/Adjusted
Concession Fees and True-Up Payments	\$ 333,900.88	\$ 338,703.84	38	\$ (4,802.96)	\$ (12,007.41)
Late Payment Interest	\$ 3,252.77	\$ 3,252.77	17	\$ -	\$ -
Abated Invoices	\$ -	\$ -	3	\$ -	\$ (42,254.40)
Penalties and Misc. Contract Fees	\$ 8,046.40	\$ 8,046.40	1	\$ -	\$ -
Grand Total	\$ 345,200.05	\$ 350,003.01	59	\$ (4,802.96)	\$ (54,261.81)

Table 1 – The information in this table was retrieved from Munis (current) and Eden (previous), the City’s current and previous enterprise resource planning systems.

- a. The concessionaire submitted late payments for 17 of 39 (43.59%) invoices billed for the reviewed 36 monthly concession fees, two “true-up” and one “penalties and miscellaneous contract fee” billed.
- b. The total amount of late payment interest billed to the concessionaire during the audit period equaled \$3,252.77.
- c. The total amount of concession fees billed to the concessionaire during the audit period was \$333,900.88 (excluding the \$12,007.41 in abated/adjusted amounts displayed in the table above).
- d. The total amount of penalties and miscellaneous contract fees billed to the concessionaire during the audit period was \$8,046.40.
- e. The Parking Department created and abated, or voided, three invoices totaling \$42,254.40 during the audit period, due to invoice calculation errors, invoice allocation

- errors and duplicate invoices.
- f. The concessionaire overpaid \$4,802.96 in concession fees to the City stemming from the month of May 2016, which remained unused as of June 24, 2021 according to the concessionaire's Munis system customer account.

Recommendation(s):

The Parking Department should request that the Finance Department credit the concessionaire's Munis account for the \$4,802.96 overpaid in concession fees for invoice #164 related to May 2016. Although the concessionaire has continuously remitted any associated late fees stemming from its late payments, it should timely remit all future payments or risk being placed in default.

Concessionaire's Response:

See Appendix A which contains the Concessionaire's Responses in their entirety.

Parking Department's Response:

In accordance with the Contract the monthly amount due for December 2016 was to be reduced from \$12,007.41 to \$4,802.96 due to construction and the Convention Center having few to no events. Parking submitted an adjustment invoice for \$7,204.45 in December, leaving a balance of \$4,802.96. Research shows Finance may have applied the credit twice in error. Consequently, no credit is due to the concessionaire. Finance has been made of aware and is conducting their own research.

OIG Audit Observation:

The Parking Department contacted the Finance Department in a January 22, 2021 email requesting the supporting documentation for the adjustment addressed in their above response. The Finance Department responded in a February 4, 2021 email to the OIG and the Parking Department as follows:

I have tried to searched all the boxes we have in the office but could not locate any document to support the adjustment. It seem that it was done in error but I have no way of confirming that since I cannot locate the invoice adjustment form from 2016. It is my understanding at the time of conversion into Munis there were issues with the system which was subsequently fixed. The email from parking is stating what they believe happened which I am somewhat in agreement with only based on the fact that we cannot locate the invoice adjustment form.

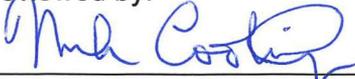
Given the Finance Department's response in this email and that no evidence has been provided to refute giving the concessionaire a credit during the six months that have elapsed since, the audit was concluded, taking the position that the concessionaire is due and should receive a credit. If the Parking and/or Finance Department manages to subsequently locate the invoice adjustment form and verify that the credit was performed in error, then First Class Parking Systems, LLC should be billed accordingly.

Approved by:


Joseph Centorino, Inspector General

08/11/2021
Date

Reviewed by:


Mark Coolidge, Chief Auditor

08/11/2021
Date


Jessica Romero, Auditor

08/11/2021
Date

This audit was initially conducted by former OIG Auditor, Luis Medina.

cc: Alina T. Hudak, City Manager
Eric Carpenter, Assistant City Manager
John Woodruff, Chief Financial Officer
Monica Beltran, Acting Parking Department Director
Jorge Zuluaga, Chief Executive Officer, First Class Parking Systems, LLC

OFFICE OF THE INSPECTOR GENERAL, City of Miami Beach
1130 Washington Avenue, 6th Floor, Miami Beach, FL 33139
Tel: 305.673.7020 • Fax: 305.587.2401 • **Hotline: 786.897.1111**
Email: CityofMiamiBeachOIG@miamibeachfl.gov
Website: www.mbinspectorgeneral.com



ATTORNEYS | SMGQLAW.COM

Exhibit A

January 27, 2021

Via E-mail to JosephCentorino@miamibeachfl.us

Mr. Joseph Centorino
Inspector General
Office of the Inspector General
City of Miami Beach
1130 Washington Avenue, 6th Floor
Miami Beach, FL 33139

Re: Concessionaire's Response to Compliance Audit of 2018/2019 & 2019/2020 Valet Parking Services Concession Agreement – OIG No. 21-04

Dear Mr. Centorino:

Our firm represents First Class Parking Systems, LLC (hereinafter, "Concessionaire") in the above-captioned matter. Concessionaire is in receipt of the draft audit dated December 17, 2020 prepared by the Office of Inspector General ("OIG") and provides the following correspondence by way of response to the findings set forth in Audit No. OIG No. 21-04 (the "Audit") which is styled as an audit of the Concessionaire's Valet Services Concession Agreement for the period of Oct. 1, 2015 – Sept. 30, 2018 ("Concession Agreement") with the City of Miami Beach ("City"). Below are our responses to each of the findings:

▪ **Finding No. 1 – Non-Compliance with Maintenance/Examination of Records Requirements**

Concessionaire routinely submitted its monthly report of activities to the Department on or before the 15th of each month. Its transmittal of the same can be corroborated as such records were sent via e-mail to the Department each month.

Turnaround time data for events held at Miami Beach Botanical Garden, Bass Museum, New World Symphony and 1000 Lincoln road were not taken by concessionaire during 2015- 2018 as the Flash Valet system was not deployed at those locations. Such data was collected only at the MBCC during the term of the Concession Agreement.

Records required by OIG were sent by email on June 25th, 2018. There was an additional request of information by OIG on September 6, 2018 that was fulfilled on September 11, 2018. Concessionaire provided all the information available at the time to audit department.

▪ **Finding No. 2 – Impairment to the Performance of Audit Procedures**

The Concession Agreement had been in effect for approximately 3.5 years and all prior audits by OIG (or its predecessor) had been limited principally to the Concessionaire's performance in its handling of the Art Basel-related events. This Audit was initiated in the middle of the City's formal solicitation

process for a replacement valet services contract. Hence, OIG's requests conflicted with the Concessionaire's participation in the solicitation process and the timelines for record production and for the same. Concessionaire understandably focused the time of its limited financial and management staff on the immediate challenge of responding to the City's solicitation. Delays in the transmittal of records were born of said conflict and Concessionaire strongly objects to OIG's finding that such delays were designed to limit the audit's scope or timely completion. At all times, the Concessionaire was available to OIG for meetings (which took place within the first three (3) months of the Audit's initiation, notwithstanding the on-going solicitation process) and provided OIG access to concession records, including the provision of direct access to Concessionaire's Flash Valet records system as early as October 1, 2018.

▪ **Finding No. 3 – The Concessionaire Submitted Late Payments for 17 of 39 (43.59%) Invoices Billed from October 1, 2015 through September 30, 2018**

Concessionaire acknowledges the accuracy of the finding and has implemented procedures to comply with the due dates of the invoice provided by the City in a timely manner.

Concessionaire appreciates the opportunity to respond to the findings and looks forward to continuing to provide the Department, the City, and its customers & patrons excellent valet services throughout the balance of the term of the Concession Agreement.

Respectfully submitted,

/s/ Javier E. Fernández

Javier E. Fernández, Esq.
For the Firm

Enclosures (5)

Cc: Mark A Coolidge, Chief Auditor
Monica Beltran, Parking Director
Jorge Zuluaga, First Class Parking Systems, LLC