



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: April 6, 2011
AUDIT: First Class Parking, LLC Valet Parking Operational Audit
PERIOD: Tuesday November 30th through Sunday December 5th, 2010
(Design Miami and Art Basel Miami Beach 2010)

This report is the result of an audit of First Class Parking, LLC's valet parking operations conducted during Design Miami and Art Basel Miami Beach 2010 between November 30th and December 5th, 2010.

INTRODUCTION

The sixth annual Design Miami was held in a specially constructed tent located in the northwest corner of the Miami Beach Convention Center parking lot at the intersection of Meridian Avenue and 19th Street. The fair opened on November 30th and continued to operate concurrently with Art Basel Miami Beach 2010 from December 1st through December 5th.

Art Basel Miami Beach 2010 was held at various City locations (Convention Center, Colony Theater, Collins Park Beach, etc.) combining an international art show with an exciting program of special exhibitions, parties and crossover events including music, film, architecture and design. Record event attendance was reported to exceed 46,000 with many patrons using the convention center valet parking services provided by the City's concessionaire called First Class Parking, LLC.

First Class Parking, LLC purchased a majority interest in Gold Star Inc. which was initially granted through the City Commission's adoption of Resolution No. 2005-25791 the exclusive privilege of operating valet parking concessions at designated facilities. The City Commission approved this sale on 01/17/07 and allowed the new entity to operate under the original concession agreement terms until its 09/30/10 expiration.

Meanwhile, the City Commission had directed the Administration to negotiate a professional service agreement with First Class Parking, LLC pursuant to their responses to the 07/16/08 issued Request For Proposal No. 40-07/08. As a result, City Resolution No. 2010-27214 was adopted authorizing First Class Parking, LLC to perform management and operation of valet parking services at the Miami Beach Convention, the Fillmore Miami Beach at the Jackie Gleason Theater and other City properties between 10/01/10 and 09/30/13 with one additional two year renewal option possible solely at the City's discretion. The accompanying signed concession agreement covers a multitude of issues including monthly fixed minimum rental payments, required insurance coverage, signage, performance bonds, property maintenance, etc.

The following table compares the number of valet parked vehicles by day during the past four audited Art Basel Miami Beach events (Art Basel Miami Beach 2009 was not audited as it was not included in the approved annual audit plan):

Event Days (Actual Dates Vary)	2006	2007	2008	2010 *
Tuesday	N/A	N/A	N/A	96
Wednesday	635	781	746	805
Thursday	340	583	360	453
Friday	610	655	521	528
Saturday **	670	735	471	683
Sunday	620	461	475	522
Total	2,875	3,215	2,573	3,087

* Design Miami was held on Miami Beach in 2010 but not during the previous audited years' events so its valet parking operations were not performed by First Class Parking, LLC and were not listed above.

** The Modern Art Museum or MAM Ball was held at Hall C of the Miami Beach Convention Center on Saturday 12/09/06 thereby utilizing First Class Parking, LLC's valet parking services.

OVERALL OPINION

The City's valet parking concessionaire First Class Parking, LLC faced a difficult task in satisfying Design Miami and Art Basel Miami Beach 2010's valet parking needs due to the daily time certain event ending, the volume of vehicles and the limited availability of parking spaces. Other than Wednesday's Vernissage event and Friday's early evening period, Internal Audit believes that the concessionaire in conjunction with the City's Parking and Police Departments performed commendably.

However, despite the successes there are still areas in need of improvement prior to the staging of next year's Art Basel Miami Beach event. A majority of these issues arose because of the time constraints associated with Vernissage (a preview of the art exhibit before its formal opening) and the concessionaire's inherent difficulty in supervising its runners. Shortcomings in the following areas were noted during testing and are described further in the section entitled "Findings, Recommendations and Management Responses".

- Logistics,
- Concessionaire personnel,
- Supplied employees' names and drivers' licenses,
- Parking spaces and lots,
- Turnaround times,
- Performance bond,
- Insurance,
- Sales taxes, and
- Posting revenues.

PURPOSE

The purpose of this audit is to determine whether the concessionaire complied with selected terms in their signed concession agreement aimed at providing timely and quality professional valet services to Design Miami and Art Basel Miami Beach 2010 attendees.

SCOPE

1. Confirm that the concessionaire has complied with selected criteria outlined in the concession agreement. Examples of areas tested include monitoring VIP parking and the rates charged, assessing the performance of assigned staff toward valet patrons, etc.
2. Confirm through observations that the concessionaire has implemented sufficient internal controls in their valet parking operations and followed valet parking guidelines established by the City.
3. Confirm that the concessionaire is current with their business tax receipts and has maintained sufficient insurance and performance bond levels.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding – *Logistics*

Art Basel Miami Beach 2010 had record attendance exceeding 46,000 as the event continues to gain in popularity. Additionally, Design Miami concurrently staged their sixth annual event in the Miami Beach Convention Center's preferred parking lot and also saw their attendance increase. With these overlapping and popular events comes a need to improve traffic flow and parking as attendees prefer to park as quickly and as close as possible. Given the events' inherent limitations, the study of logistics grows in importance.

The following logistic shortcomings were observed during Design Miami and Art Basel Miami Beach 2010 and are in need of corrective action prior to next year's event(s):

- a. The Design Miami Tuesday (11/30/10) valet ramp's entrance was blocked by two dumpsters and a moving truck thereby making it difficult to locate and potentially dangerous for those desiring valet service.
- b. Valet runners are concessionaire employees responsible primarily for providing excellent customer service as they take possession of customers' vehicles, park them in secured lots and then retrieve and deliver these vehicles back to their owners upon request. These runners were repeatedly observed during Design Miami's Tuesday (11/30/10) making u-turns on Meridian Avenue near the Holocaust Memorial so that they could more quickly travel from the valet ramp to the parking storage area without the aid of law enforcement. Instead, other concessionaire personnel would frequently stop oncoming traffic to aid them in making these u-turns.

Similarly, runners were continually observed Wednesday (12/01/10) through Friday (12/03/10) making these unassisted u-turns across Convention Center Drive after exiting the valet ramp so that they could more quickly drive to the parking storage areas. The vehicle storage area was moved from the south side of the Miami Beach Convention Center to Miami Beach Senior High School during the weekend which helped eliminate the need for these u-turns.

- c. Attendees wishing to retrieve their valet parked vehicles were to first submit their

ticket at the valet kiosk by Hall D and then proceed to the tent located on the west side of Convention Center Drive across from Hall C. Yet, several occasions were noted whereby valet patrons proceeded to the vehicle pick-up tent rather than going first to the valet kiosk. After waiting unnecessarily and becoming agitated, these individuals would then make inquiries and learn of their mistake. Compounding matters was that the concessionaire did not always have staff present at the vehicle pick-up site to help customers.

- d. Valet customers were frequently overheard complaining about the distance to the vehicle pick-up tent. Several loudly stated that if they had known in advance that they would have paid \$5 less and self parked in the preferred parking or P-lot located directly west of Hall C near the valet vehicle pick-up tent.
- e. The two crosswalks available for event attendees to walk from Hall C to the valet vehicle pick-up tent and the P-lot were not always monitored by either Parking or Police Department personnel. Also, only one of these crosswalks had temporary stop signs alerting drivers of the need to stop.

Recommendation(s)

The implementation of the following recommendations should help improve the logistics for next year's event(s):

- a. The entrances to the valet ramps should always contain proper signage and be clearly visible in advance to drivers in order to help reduce the possibility of accidents.
- b. Valet runners should be prohibited from performing u-turns in the middle of the street unless assisted by law enforcement.
- c. The valet kiosk should be moved to a more prominent location containing appropriate signage to help reduce future vehicle retrieval misunderstandings. Also, an appropriately dressed and properly trained concessionaire employee should always be positioned at the valet pick-up site to troubleshoot and answer any customer inquiries.
- d. The valet pick-up site should be moved closer to Hall D's entrance/exit to help justify the paying of a \$5 premium for the service, as well as to meet customer's expectations of convenience. Internal Audit opines that the area across from Hall D near the Botanical Gardens is optimal and seemed to work well in years past.
- e. Temporary stop signs should be placed at all heavily used crosswalks during the events to better protect attendees. Additionally, Parking or Police Department employees should be stationed accordingly to help ensure that drivers are obeying traffic laws and surrendering the right of way to pedestrians.

Concessionaire's Response

- a. We concur with the Auditor's observation that the valet ramp was blocked by two dumpsters and a moving truck during Design Miami. Traffic flow was relatively light during that time period thus mitigating the potential safety hazard and ensuring that the operation of the concession remained manageable under the conditions. It is the concessionaire's belief that many patrons were not able to locate the valet ramp due to the location of the dumpsters and moving truck. The result of the obstruction was likely a loss in potential revenue to the concessionaire and city. Additional signage will be placed at the valet ramps in the future to enhance patron visibility.
- b. The concessionaire concurs with the auditor's observations. However, we would note that the concessionaire's personnel often helped with traffic control to reduce and potential hazards associated with the use of u-turn movements. The utilization

- of u-turn movements was essential to the timely operation of the valet concession given the high volumes associated with the event. With the assistance of law enforcement or parking department personnel, concession staff could safely employ u-turn movements without posing a safety risk to the public and ensuring that delivery times satisfy the standards set by the city.
- c. The concessionaire concurs with the auditor's finding. In order to avoid any future confusion experienced by valet patrons, the concessionaire will have extra, uniformed personnel manning both the kiosk and waiting stand at next year's event.
 - d. The location of the valet pick-up tent for the 2010 event was a modification to the 2009 event location outside of Hall D's entrance. The 2010 location was a greater distance away from the exhibit space and proved particularly inconvenient for elderly patrons, the disabled and expectant mothers or families with children. Our staff also fielded a number of complaints about the danger of crossing the street (Convention Center Drive) due to the distance and lack of enforcement personnel manning the crosswalks. We strongly agree with the auditor's recommendation with respect to the relocation of the valet pick-up area to the area across from Hall D near the Botanical Gardens. Relocating the pick-up area to the 2009 event location would help minimize the inconveniences experienced by event patrons this year.
 - e. Better traffic control signage and, preferably, the addition of parking or police department employees would do much to enhance safety and ensure the smooth operation of the concession ramp. The presence of uniformed officers or parking department staff would ensure greater compliance with traffic laws and that drivers are surrendering the right-of-way to pedestrians.

City Response:

- a. Agreed
- b. While it is a Police function to issue moving violations, the Parking Department will assist the Police Department so that concession staff could safely employ u-turn movements without posing a safety risk to the public.
- c. Agreed
- d. Parking Department will work with Police, Convention Center and Basel on relocation.
- e. The Parking Department will coordinate with the Police Department as to the amount of signage and stationing of personnel at key crosswalks.

2. Finding – Concessionaire Personnel

The concessionaire employed approximately seventy-five people at various times and days to handle the events' valet parking needs. Although properly attired in uniforms and typically acting very courteous to customers over the five days tested, concessionaire personnel were observed performing the following deficient actions:

- a. One of the concessionaire's runners was confrontational to a customer on Wednesday night (12/01/10), which escalated as he tried to start a physical altercation in front of all present.
- b. A runner was observed speeding south on Convention Center Drive at 7:11pm on Friday night (12/03/10) by Internal Audit and the concessionaire's owner who immediately left to confront the employee.
- c. Runners were observed climbing an approximately eight foot high fence that separates the backstage and Fillmore Miami Beach valet parking storage areas rather than running around the buildings thereby looking unprofessional and increasing the possibility of injury.

- d. Runners often worked long hours daily upon their arrival time around 9:00am and staying past the events' daily closing times. Consequently, they were tired and less productive as the days and events progressed as they could be seen continuously walking back and forth.

Recommendation(s)

The implementation of the following recommendations regarding concessionaire personnel should help improve future performance and labor relations with the City:

- a. Concessionaire staff should always act courteous and professionally to event attendees. Anyone deviating from these practices should be either terminated or disciplined accordingly.
- b. Concessionaire staff should obey all traffic laws.
- c. Runners should either proceed around the buildings or be shuttled to the vehicle storage areas but they should not be scaling fences.
- d. Although the concessionaire ultimately decides how to best operate his business, Internal Audit opines that whenever possible runners' hours should be shortened and/or employees work days rotated to help make them more productive and efficient.

In addition, the Parking Department should better monitor these activities so that corrective action can be taken.

Concessionaire's Response

- a. The concessionaire regrets the actions of this one employee and seeks to reassure the auditor and the city that each employee receives the proper training on how to deal with difficult customer situations. Despite efforts to weed-out employees that may take a patron's accusation the wrong way and inappropriately escalate the situation, such situations always seemingly arise. It is our belief, however, that the quality of service has improved, while such altercations have been limited to isolated instances.
- b. We concur with the auditor's observation of an employee speeding and the action taken by the concession owner to reprimand said employee. Employees found violating such traffic laws are immediately warned to refrain from such action. Further violations result in the employee's suspension from the event or termination, depending on the circumstances of each incident.
- c. The concessionaire acknowledges that certain valet runners were observed climbing an approximately 8' high fence to retrieve vehicles and that the practice will be discontinued going forward.
- d. Knowing the long hours of operation and the noticeable impact on performance, valet runners will work rotating and shortening shifts at next year's event.

City's Response:

The Parking Department will periodically monitor the concessionaire personnel during this event and address any issues with the concessionaire for immediate corrective action.

3. Finding – Supplied Employees' Names and Drivers' Licenses
In an effort to comply with Miami Beach City Code Section 18-311, the concessionaire provided the names and drivers' license numbers of forty-six employees supposedly working during Design Miami and/or Art Basel Miami Beach 2010. Internal Audit compared these documents to the concessionaire's Sign In and Out Sheets used for payroll purposes. In

doing so, we found that the Parking Department was only provided with 43.33% or twenty-six of the sixty runners who actually worked at the events drivers' licenses. Conversely, drivers' licenses were not furnished for the remaining thirty-four runners that worked at least one shift during the six day that the events operated. The remaining twenty furnished drivers' licenses were for either administrative employees or others who did not work at the events.

Furthermore, Internal Audit's review of the submitted drivers' licenses found the following:

- One runner provided a temporary learner's permit that expired on 12/18/10 and the Sign In and Out Sheets showed that he worked on four different days during the event. Internal Audit specifically remembers him driving on two of these days.
- Another runner provided only an identification card and not a valid drivers' license. Internal Audit did not observe this employee driving as he was typically observed working at either the valet ramp entrance or the customer pick-up tent but his activities were not always monitored.
- Another runner provided a drivers' license that expired on 09/20/10 but the provided Sign In and Out Sheets show that he worked three days driving customers' vehicles.
- One runner provided a New York drivers' license when the City Code specifically requires that it be a valid Florida drivers' license.

Recommendation(s)

Going forward, employee rosters and their accompanying drivers' licenses should be submitted to the Parking Department at least seven days prior to the event's commencement. All concessionaire runners should be approved in advance by the City's Parking Department prior to working.

Concessionaire's Response

The concessionaire agrees and will make a concerted effort in the coming year to provide the information required by Sec. 18-311 a week prior to the start of Art Basel and Design Miami event.

City's Response

Agreed. Concessionaire must provide all documentation seven (7) days prior to the event. In addition, the Parking Department will work with the Concessionaire to monitor this requirement of the event.

4. Finding – Parking Spaces and Lots

The Parking Department granted the concessionaire permission to valet park their customers' vehicles in the 5C surface lot located directly south of the Miami Beach Convention Center, the small fenced lot called backstage which is directly north of The Fillmore Miami Beach, and the ramp in the front of The Fillmore Miami Beach located on Washington Avenue near 17th Street. These areas were used between Tuesday (11/30/10) and Friday (12/03/10) to temporarily store customers' valet parked vehicles.

Additionally, the concessionaire received permission from the Miami Beach Senior High School to use its bus ramp and parking lots during designated times when school was not in session. The concessionaire elected to only use these lots on the weekend as its stated goal was to restrict valet parking storage to the same general areas during each day to simplify delivery and retrieval for the runners.

Testing performed during Design Miami and Art Basel Miami Beach 2010 found the following

parking space and lot shortcomings:

- a. The valet parking storage areas reached capacity on Friday (12/03/10) starting at 2:37pm so operations had to be intermittently suspended until customer vehicles were retrieved and more secured parking spaces became available. At the same time, three available spaces in front of Hall C of the convention Center were reserved for V.I.P. customers who would offer a premium to have their vehicle parked closer.
- b. Although the 5C lot's entrance was guarded with a concessionaire's security employee, he was repeatedly confronted by individuals trying to enter the valet parking restricted storage areas during the work week thereby blocking traffic on Convention Center Drive. Additionally, there was no signage present stating "Valet Parking Only" which further confused the public.

Similarly, the ramp in the front of The Fillmore Miami Beach located on Washington Avenue near 17th Street did not contain either signage or security personnel. Therefore, concessionaire staff had to continually confront customers trying to either park on the premises or be careful for drivers cutting through to avoid the corner traffic light.

- c. Despite having personnel present at all the valet parking lots, parked vehicles were still occasionally found to have advertising brochures placed on their windows.
- d. One vehicle was noted to have their windows down and another was parked with the roof down on Friday (12/03/10) thereby potentially exposing them to damage from rain or intruders.

Recommendation(s)

The implementation of the following recommendations should help make valet operations run better for next year's slated events:

- a. The City and the concessionaire should discuss possible valet parking space alternatives, especially for those times when the Miami Beach Senior High School is not available, or realize that reaching capacity and ceasing operations may occur thereby potentially upsetting event attendees. In addition, once capacity is reached at all parking locations then all available spaces, including those normally used for customers paying higher premiums to park their cars closer, should be utilized in order to minimize any disruption.
- b. Security personnel and signage should be prominently displayed at each lot's entrance to help avoid misunderstandings to keep out unauthorized individuals and to help improve traffic flow.
- c. Concessionaire security personnel should politely halt individuals from placing advertising brochures on vehicles under their care. If these individuals persist, the City's Code Compliance Division should be called immediately to remedy the situation. At a minimum, the runners should remove and properly dispose of the brochures before returning the customer's vehicle.
- d. Runners should ensure that all valet parked vehicles are properly secured before the keys are given to administrative staff at the keyboard. Furthermore, the concessionaire employees searching the designated parking lots for open spaces, assisting in locating vehicles, etc. should also notify concessionaire management as to any improperly secured vehicles so that they can be corrected.

Concessionaire's Response

- a. The concessionaire concurs with the auditor's finding that the valet parking storage areas reached capacity mid-afternoon on Friday, December 3rd, resulting in the intermittent suspension of valet service. Immediately following the close of the event, the concessionaire, parking department staff, and staff of Global Spectrum met to review event logistics. Among the topics discussed was increasing the available inventory of parking to service valet demand. At this year's event, valet vehicles were stored at the following locations: (i) 5C lot; (ii) Fillmore ramp; (iii) "high roller" vehicles along the ramp in front of Hall C & D; and (iv) Miami Beach Senior High School after 4 p.m. Meeting participants agreed that use of the north and south loading docks for valet storage should also be permitted to the extent it would not impinge upon Convention Center operations. Such a suggestion will be revisited prior to the start of next year's event. Lastly, we would strongly endorse the auditor's recommendation that the concessionaire be afforded the use of all available spaces, including those normally used for customers paying higher premiums to park their cars closer, in order to minimize service disruptions that adversely impact the public.
- b. As noted above, the concessionaire will deploy additional signage at each lot's entrance in order to avoid potential misunderstandings and confusion on the part of the public attending the event. With regard to security, all parking lots were manned by identifiable security personnel at all times to avoid any potential property damage or loss to patron vehicles.
- c. While we understand the intent behind the auditor's recommendation, the impact of implementing the recommendation would require that the concessionaire more than double the number of security personnel on each day of the event. Such action would impose a huge economic cost on the concessionaire and likely still require the intervention of city personnel to effectively curb the leaf-letting. As an alternative, we would recommend that city code enforcement personnel be deployed to the event site for the duration of the event in order to assist with enforcement or that the issue be addressed through the removal of ads by valet runners prior to returning a vehicle to the valet customer. In our opinion, both alternatives would be a more effective approach to addressing this issue.
- d. The concessionaire concurs with the auditor's recommendation and will make a greater effort to ensure that every vehicle received by concession staff is properly secured.

City's Response

- a. Agreed. The Parking Department worked with the Concessionaire during the event to identify available inventory of parking spaces. Information gained will be utilized during next year's event.
- b. Agreed. Concessionaire is responsible for signage and the Parking Department will monitor the event to provide any guidance.
- c. Agreed. Concessionaire should comply.
- d. Agreed. Concessionaire should comply.

5. Finding – Turnaround Times

The Parking Department previously set a goal of twenty minutes turnaround times which Internal Audit carried forward to Design Miami and Art Basel Miami Beach 2010 as a means to consistently measure the concessionaire's performance. A turnaround time equals the amount of time elapsed from when a valet customer submits his claims ticket to the time that his/her vehicle is delivered. Internal Audit calculated turnaround times daily at various intervals to help provide a representative sample.

Internal Audit Report
 First Class Parking, LLC Valet Parking Operational Audit
 April 6, 2011

The table below provides the daily number of tested turnaround times and the percentage of those completed within the listed five minute incremental periods for the 2010 events:

	11/30/10 Tuesday	12/01/10 Wednesday	12/02/10 Thursday	12/03/10 Friday	12/04/10 Saturday
Number of Tested Daily Turnaround Times	32	101	66	60	104
Art Basel Average Daily Time *	4.84	11.74	5.26	10.90	7.41
% 5 minutes below	81.25%	46.53%	71.21%	40.00%	19.23%
% 6 – 10 minutes	18.75%	29.70%	25.76%	21.67%	72.12%
% 11- 15 minutes		3.96%	1.52%	16.67%	7.69%
% 16 – 20 minutes		5.94%	1.52%	13.33%	
% Over 20 minutes *		13.86%		8.33%	.96%

* Less turnaround times can be measured during times when valet service is slow as Internal Audi has to continue to monitor the attendee(s) until they receive their vehicles. As a result, the above percentages are skewed accordingly.

The highest turnaround times were experienced on Wednesday (12/01/10) due to such factors as overlapping events and the large volume of vehicles valet parked within a short time period during Vernissage's three hour opening. Another difficult turnaround period occurred late afternoon/early evening on Friday (12/03/10) which may have been attributed to the fact that the concessionaire only had sixteen runners working which was the least of any day other than Tuesday (11/30/10).

The following three tables showing the results from the 2006, 2007 and 2008 audited events respectively are provided for comparative purposes only:

	12/06/06 Wednesday	12/07/06 Thursday	12/08/06 Friday	12/09/06 Saturday	12/10/06 Sunday
Art Basel Average Daily Time	7.74	6.23	6.56	11.11	8.93
% 5 minutes below	26.1%	53.8%	35.8%	11.1%	22.5%
% 6 – 10 minutes	52.2%	38.5%	54.3%	50.0%	57.5%
% 11- 15 minutes	17.4%	0%	6.2%	22.2%	10.0%
% 16 – 20 minutes	4.3%	7.7%	3.7%	13.9%	7.5%
% Over 20 minutes	0%	0%	0%	2.8%	2.5%

	12/05/07 Wednesday	12/06/07 Thursday	12/07/07 Friday	12/09/07 Sunday
Art Basel Average Daily Time	16.00	7.79	8.74	8.61
% 5 minutes below	6.76%	20.00%	9.76%	0.00%
% 6 – 10 minutes	28.38%	63.43%	68.29%	94.44%
% 11- 15 minutes	28.38%	14.29%	15.85%	5.56%
% 16 – 20 minutes	13.51%	1.71%	4.88%	0.00%
% Over 20 minutes	22.97%	0.57%	1.22%	0.00%

Internal Audit Report
 First Class Parking, LLC Valet Parking Operational Audit
 April 6, 2011

	12/03/08 Wednesday	12/05/08 Friday
Art Basel Average Daily Time	10.39	5.92
% 5 minutes below	33.33%	44.79%
% 6 – 10 minutes	44.44%	55.21%
% 11- 15 minutes	8.33%	0.00%
% 16 – 20 minutes	0.00%	0.00%
% Over 20 minutes	13.89%	0.00%

Recommendation(s)

Although there is still room for improvement, overall turnaround times other than 12/01/10's Vernissage and 12/03/10's late afternoon/early evening hours were acceptable as a majority of monitored customers' vehicles were retrieved within ten minutes. However, the concessionaire should be required to at least meet minimum staffing thresholds designated by the City's Parking Department to help better ensure quality valet service to its customers.

Concessionaire's Response

Every year of the event is held brings new and different challenges to the valet operation. Among the new challenges experienced this year was the change to the location of the valet pick-up tent. Vernissage also continues to remain a very challenging event given the event's limited duration and the high volume of patrons arriving and departing within a short time period. Despite these challenges and continued increases in vehicle volume, generally, the average daily times for vehicle retrieval and the level of customer services continues to improve.

6. Finding – Performance Bond

Section 12 of the signed concession agreement summarized requires that a \$13,500 performance bond be held by the City's Chief Financial Officer throughout the term of the agreement which started on 10/01/10. Yet, inquiries found that only a \$2,000 performance bond under the name of the concessionaire's predecessor (Gold Star, Inc.) was allegedly being held at a local bank from a prior City agreement. Communications between the Parking Department and concessionaire's representative suggested that the holding bank will not release the bond without a letter from the City, who has no record of the bond and is unwilling to provide the needed release. Internal Audit requested verification of the \$2,000 performance bond's existence but none was provided as of the conclusion of this audit.

Recommendation(s)

The City's Parking Department should research and cooperate with the concessionaire in having the prior \$2,000 Gold Star, Inc. performance bond released. In the interim, a new \$13,500 performance bond from First Class Parking, LLC should be immediately provided to the City's Chief Financial Officer and stored in the secure Central Cashier vault. The City's Parking Department should consider increasing the amount of the performance bond to at least two months' payments (currently $\$13,416.66 \times 2 = \$26,833.32$) in future concession agreements to better protect the City's interests in the event that the agreement is terminated for whatever reason.

Concessionaire's Response

The concessionaire concurs with auditor's findings. However, it is important to note that verification of the existence of the \$2,000 performance bond provided by Gold Star, Inc. can be verified by contacting the bank holding the bond issued under the prior concession

agreement. We would be happy to provide city staff with contact information for the bank personnel.

Despite the concessionaire's repeated and best efforts through its agent, it has been unable to procure a performance bond due to numerous contingencies in the contract which insurers have indicated render a risk calculation near impossible. As such First Class Parking will be placing \$11,500 cash deposit in favor of the city at an insured depository institution in lieu of providing the bond. The additional cash deposit and the existing performance bond should satisfy their contractual obligation to provide a surety in the amount of \$13,500. Lastly, the concessionaire would like to note that the current bond requirement set forth in Sec. 12 of the concession agreement is \$8,500 more than the required amount advertised in the City's request for proposals for the concession.

City's Response

We are currently working with concessionaire to provide the required performance bond immediately. An increased performance bond amount will be contemplated in the next solicitation.

7. Finding – Insurance

Section 9 of the signed concession agreement requires that the concessionaire maintain at its sole expense the following insurance coverage throughout the term of the agreement:

- Commercial General Liability or Garage Liability insurance in the minimum amount of coverage of \$1,000,000 per occurrence and per location covering bodily injury and property damages resulting from the valet parking operation.
- Garage Keepers Legal Liability insurance to provide collision and comprehensive coverage for vehicles under control of the valet parking operation with minimum coverage limits of \$300,000 per location and a maximum self-insured retention or deductible of \$1,000.
- Workers Compensation and Employer's Liability as required meeting with statutory requirements of the State of Florida.

Inquiries found that no insurance policy certificates had been submitted to date to either the Parking Department or the City's Risk Manager as required by the concession agreement and City Code. Therefore, Internal Audit requested and promptly received the needed certificates from the concessionaire which were subsequently reviewed and approved by the City's Risk Manager.

Recommendation(s)

The Parking Department should use the Eden System's Contract Management module to help ensure that compliance is achieved for the stated insurance coverage and other concession agreement requirements.

Concessionaire's Response

The concessionaire disagrees with the auditor's finding that no insurance policy certificate had been submitted as of January 7, 2011, to either the Parking Department or the City's Risk Manager pursuant to Section 9 of the concession agreement. Please note that certificates of insurance are submitted, at a minimum, annually and often upon request of the city and its departments. A recent and current copy of the certificate of insurance was submitted to the City's Risk Manager with the concessionaire's application for the renewal of its Business Tax Receipt (Occupational License). In order to avoid future confusion, the

concessionaire will forward copies of a certificate of insurance at each renewal period and with all future Business Tax Receipt applications to both the Parking Department and the City's Risk Manager.

City Response:

As part of monitoring this agreement, the Parking Department will ensure that compliance is achieved for the stated insurance coverage required by the Concessionaire.

8. Finding – Sales Taxes

Section 3.3 of the concession agreement states *"It is also understood that the required Florida State Sales and Use Tax shall be added to Concessionaire's payment and forwarded to the City as part of said payments. It is the City's intent that it is to receive the monthly minimum payment due from concessionaire as net of such Florida State Sales and Use Taxes"*. However, testing showed that state sales tax payments had not been collected for the concessionaire's October and November 2010 payments of \$13,416.67 each. As a result, the concessionaire owes the City a total of \$1,878.34 ($\$13,416.67 \times 7\%$ state sales tax = \$939.17 per month x 2 months) which needs to be subsequently remitted to the State of Florida. Upon notification from Internal Audit, the Parking Department promptly contacted the concessionaire so that their December 2010 payment correctly equaled \$14,355.83 which included \$939.17 in state sales taxes.

Recommendation(s)

The concessionaire should immediately remit the \$1,878.34 owed for state sales taxes from the concessionaire for the October and November 2010 payments received. Additionally, a designated Parking Department employee should be tasked with ensuring the concessionaire's compliance levels with the signed agreement's stated terms.

Concessionaire's Response

Payment of \$1,878.34 sales tax outstanding for the months of October and November of 2010 was remitted to the City on December 17, 2010.

City Response

The concessionaire paid the amount of \$1,878.34 for October and November taxes on December 17, 2010. Since December 2010, all payments have included sales taxes for a total amount of \$14,355.82 a month.

9. Finding – Posting Revenues

The Parking Department maintains a number of different revenue sources (debit cards, meter collections, permit sales, etc.) that are processed by their cashiering operations and are delivered to the City's designated bank by a subcontracted armored car company. Additionally, the applicable City owned garages' corresponding daily revenues are similarly deposited into the designated bank account. Together they equal the department's daily revenues which are reconciled to the supporting documentation by independent financial personnel on staff. Once completed and approved, the documentation is forwarded to the City's Finance Department for further review and approval before the revenues are posted to the appropriate general ledger accounts in the City's Financial System.

Internal Audit's attempt to review the October and November 2010's entries found that the last revenues posted to the City's Financial System as of 12/07/10 were for November 14th. Inquiries with Finance Department personnel found that this is a common practice as it typically takes the Parking Department at least two weeks to submit the needed information

Internal Audit Report
First Class Parking, LLC Valet Parking Operational Audit
April 6, 2011

to the Finance Department, which then takes several more days to review and post. Furthermore, they claimed that this lengthy time lag is not the norm as all other City departments' revenues are normally posted within a day or two following receipt.

Recommendation(s)

The Finance and Parking Department should meet to discuss the root cause as to the reasons for the delay in having the daily revenues posted to the City's Financial System and how they can be overcome. Internal Audit believes that Parking Department revenues should be posted within three days of collection similar to other departments so that current accurate information is available for desired analyses and budget comparisons.

City Response

The process for posting revenue for the Parking Department differs from the other departments in the City. The Parking Department has a separate bank account that is reconciled with the daily revenue before the paperwork is turned in to Finance. In the case of the other Departments, the reconciliation process with the bank is done by Finance after paperwork is received. The Parking Department turns in each day's report only after all the paperwork for each revenue source (garages, coin room and customer service) is collected, audited and reconciled by the appropriate person in each one of these areas and later turned in to the Finance Division of the Parking Department. Parking Finance division staff audit the paperwork, reconcile each deposit with the bank, research and resolve any discrepancies and lastly enter the data into the Parking Revenue System by GL account number and revenue source. The Parking Revenue System compiles all the information and creates a summary report by GL account that is imported into EDEN. When each day's data is imported the division manager reviews and approves the file in EDEN. This entire process is completed on average in 11.5 days.

A three (3) day turn-around time would be impossible to accomplish the above referenced process. Additionally, any unforeseen circumstance in any part of this process i.e. staff absences, problems with auditing software, etc. may also delays the completion of the work.

When the above mentioned process is completed the reports are submitted to the Finance Department to post in EDEN. Since the data is imported and has already been reconciled with the bank and audited, the time required to finalize this process is minimal since no additional data entry is required, simply the EDEN file is approved/posted in EDEN. This Finance Department approval process takes an average of 6.5 days after which the entries are actually posted in EDEN.

Internal Audit Observation

It is our understanding that the Parking Department's Finance Section requires additional time over other departments to process each day's revenues due to the complexities and volume of revenues. However, both the Finance Department and the Parking Department should examine current procedures to determine if processing time can be further reduced.

EXIT CONFERENCE

An initial meeting was held on 1/28/11 to discuss the audit report between Parking Director Saul Frances, Financial Analyst III Rocio Alba, Internal Auditor James Sutter, Senior Auditor Mark Coolidge and Auditor Fidel Miranda. The audit report was subsequently forwarded to First Class Parking, LLC management. The concessionaire's management responses were received and

Internal Audit Report
First Class Parking, LLC Valet Parking Operational Audit
April 6, 2011

added to this audit report. All were in agreement with the contents of this report. The Parking Department will utilize this report in the planning for the next Art Basel Miami Beach event.

JJS:MC:mc
Audit performed by Mark Coolidge and Fidel Miranda

F:\OBPI\AUD\INTERNAL AUDIT FILES\DOC10-11\REPORTS - FINAL\ART BASEL VALET PARKING RPT 2010.doc

cc: Jorge Gomez, Assistant City Manager
Saul Frances, Parking Department Director
Patricia Walker, Chief Financial Officer
Jorge Zuluaga, Chief Executive Officer, First Class Parking, LLC