



MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jimmy L. Morales, City Manager
VIA: John Woodruff, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: November 15, 2013
AUDIT: First Class Parking, LLC Valet Parking Operational Audit
PERIOD: Tuesday December 4 through Sunday December 9, 2012
(Design Miami and Art Basel Miami Beach 2012)

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 2012 between December 4 and December 9, 2012 and selected provisions in their signed concession agreement with the City.

INTRODUCTION

The eighth annual Design Miami event was held in a specially constructed tent located in the northwest corner of the Miami Beach Convention Center parking lot near the intersection of Meridian Avenue and 19 Street. It opened on December 4 and continued to operate concurrently with Art Basel Miami Beach 2012 from December 5 through December 9.

Art Basel Miami Beach 2012 was held at various City locations (Convention Center, Bass Museum of Art, New World Center, etc.) combining an international art show with an exciting program of special exhibitions, parties and crossover events including music, film, architecture and design. Event attendance was reported to equal 50,000 with many patrons using the convention center valet parking services provided by the City's concessionaire called First Class Parking, LLC.

The City Commission had directed the Administration to negotiate a professional service agreement with First Class Parking, LLC pursuant to their responses to Request For Proposal No. 40-07/08 issued on 07/16/08. 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 attached signed concession agreement covered a multitude of issues including monthly fixed minimum rental payments, required insurance coverage, signage, performance bonds, property maintenance, etc.

The following table compares the daily number of valet parked vehicles during the past six 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):

Internal Audit Report
 First Class Parking LLC Valet Parking Operational Audit
 November 15, 2013

Event Days (Actual Dates Vary)	2006*	2007	2008	2010**	2011**	2012
Tuesday	N/A	N/A	N/A	96	82	94
Wednesday	635	781	746	805	794	649
Thursday	340	583	360	453	444	497
Friday	610	655	521	528	618	583
Saturday	670	735	471	683	706	745
Sunday	620	461	475	522	467	513
Total	2,875	3,215	2,573	3,087	3,111	3,081

* 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 the concessionaire's valet parking services.

** Design Miami was not held in Miami Beach prior to 2010 so its valet parking operations were not listed above in years 2006 through 2008.

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 2012'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 (a preview of the art exhibit before its formal opening) and Saturday's late afternoon/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 Art Basel Miami Beach 2013. 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,
- Automated valet system,
- Monthly concession payments,
- Insurance
- Business tax receipts, and
- Reported revenues

PURPOSE

The purpose of this audit is to determine whether First Class Parking, LLC 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 2012 attendees.

SCOPE

1. Confirm that First Class Parking, LLC has complied with selected criteria outlined in the signed concession agreement. Examples of areas tested include monitoring 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.
4. Confirm that the concessionaire's monthly payments to the City are timely received and correctly recorded in the City's Financial System. If not, confirm that late charges were billed and collected in accordance with the signed concession agreement.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding – *Logistics*
An estimated 50,000 patrons attended Design Miami (eighth annual event which was held for the third consecutive year in the Miami Beach Convention Center's preferred parking lot or P lot) and Art Basel Miami Beach 2012 (eleventh annual event held inside Hall D of the Miami Beach Convention Center). 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 (the management of the flow of resources between the point of origin and the point of destination) grows in importance.

The following logistical shortcomings were observed during Design Miami and Art Basel Miami Beach 2012 and are in need of corrective action prior to next year's scheduled events:

- a. The Design Miami Tuesday (12/04/12) valet ramp's entrance was partially blocked by two roll-off dumpsters thereby making it more difficult to locate and potentially dangerous for those desiring valet service. As a result, several vehicles were observed improperly stopping outside the valet ramp on Meridian Avenue in an effort to either valet park or to make inquiries of the concessionaire's staff.
- b. Although First Class Parking, LLC's (the concessionaire) valet parking operations were not affected, the Parking Department properly bagged the parking meters in the Holocaust Memorial lot (directly across from Design Miami's entrance) on Monday (12/03/12). However, they were mistakenly removed that night before being re-installed on Tuesday (12/04/12) morning but some vehicles had already parked there. Inquiries with a Parking Enforcement Specialist I found that they cannot force these vehicles to move or tow but instead would refund monies upon request to Design Miami for the loss of these parking spaces.

Internal Audit Report
First Class Parking LLC Valet Parking Operational Audit
November 15, 2013

- c. Parking meter numbered MR18043 located at the northern end of Design Miami's valet ramp was not bagged on Tuesday (12/04/12) and theoretically a vehicle could have parked in the space and blocked the ramp.
- d. The concessionaire's staff working at Design Miami on Tuesday (12/04/12) were routinely observed stopping traffic on Meridian Avenue so that their runners (employees responsible for taking possession of customers' vehicles, then park them in secured lots and then retrieve and deliver these vehicles back to their owners upon request) exiting the valet ramp could make improper u-turns in an attempt to reach the vehicle's temporary storage location quicker thereby hindering traffic flow and increasing the possibility of accidents.
- e. Concessionaire's runners were permitted to make u-turns at the end of the cones just north of the crosswalk on Convention Center Drive during Art Basel Miami Beach 2012. As a result, this location has to be continuously staffed by a Parking Enforcement Officer to help avoid accidents by blocking traffic. On a negative note, traffic flow is hindered since vehicles driving south on Convention Center Drive are continually waiting for those making u-turns and also for nearby pedestrians crossing the street wishing to access the valet and taxi pick-up sites. These delays were exacerbated during peak times and contributed to the substandard calculated turnaround times on Wednesday night and Saturday late afternoon/early evening as addressed in finding number 5.
- f. The standard procedure implemented was to have event attendees wishing to retrieve their valet parked vehicles to first submit their tickets at the kiosk by Hall D, pay the associated \$20 fee and then to proceed to the tent located on the west side of Convention Center Drive for pick-up. In return, concessionaire administrative employees would then either scan the patrons' ticket numbers into their automated valet system (if functioning properly) or call the lot attendants via radio with the pertinent information.

However, valet patrons were also permitted to pay the \$20 fee when dropping off their vehicle which added to the confusion. Many of these individuals incorrectly believed that paying upfront would subsequently prevent them from having to go to the Hall D valet kiosk when exiting the event.

Unaware or forgetting the proper procedure, a number of valet patrons were observed daily proceeding directly to the vehicle pick-up tent instead of going first to the valet kiosk. After waiting unnecessarily and sometimes becoming agitated, these individuals would then make inquiries from the concessionaire staff member stationed at the pick-up tent only to learn of their mistake. Conversely, some patrons did not promptly proceed to the pick-up tent after paying at the valet kiosk resulting in the runners being forced to wait with the retrieved vehicle and occasionally having to return the vehicle to one of the lots.

Recommendation(s):

The implementation of the following recommendations should help improve the logistics for next year's scheduled events:

- a. Valet ramps' entrances should always be clearly visible in advance to drivers to

help reduce the possibility of accidents.

- b & c. Better communication is needed between the Parking Department's administrative staff and its Parking Enforcement personnel so that the proper parking meters are and remain bagged.
- d & e. Concessionaire staff should not disrupt traffic flow by making u-turns on City streets as instead they should follow normal traffic patterns to reach their desired location.
- f. Although difficult, concessionaire staff should try and more clearly communicate the process by which patrons' vehicles will be returned. Also, the valet kiosk may need to be moved to a more visible area to help reduce future vehicle retrieval misunderstandings.

City's Response (Parking Department):

The Parking Department concurs with Internal Audit's recommendations. In regards to Item No. 1b and 1c, the issue may have been averted with better communication between the Enforcement staff and Administration. The implementation of the ACCELA program for space rentals will also be helpful. ACCELA will provide redundancies to capture incidents such as these.

Concessionaire's Response:

The Concessionaire concurs with findings a, b, c, and d. However, Concessionaire respectfully disagrees with the Auditor's conclusion in "finding e". The traffic operational plan, which permitted the noted U-turns at the end of the cones just north of the crosswalk, was employed following consultation to optimize the flow of traffic during peak evenings of the event. Delivery time delays experienced on Wednesday and Saturday evenings, during the peak days for the event, are only marginally attributable to the traffic pattern employed as vehicle storage needs which necessitate the U-turn movements.

With respect to the Internal Audit's recommendations, concessionaire agrees with recommendations a., b., c. and f. and will work to enhance communication with patrons regarding the vehicle return process. As a point of information, when concessionaire became aware of the patron confusion on first day of operation, staff was instructed and did advise patrons upon arrival that payment for valet services had to be made at the time their vehicle was retrieved. In addition to more prominently situating the valet kiosk, ramp entrances, and signage in coordination with MBCC staff and event sponsor to avoid patron confusion, concessionaire will also revise concession signage to more prominently display that payment for services is due upon return of the patron's vehicle.

Concessionaire, however, respectfully disagrees with recommendation d. & e. Concessionaire would recommend that the subject location be staffed by parking enforcement personnel to facilitate the U-turn movements in light of closure of 19th Street for the Design Miami Vernissage event and the high traffic volumes experienced on Convention Center Drive during Art Basel in lieu of the approach suggested by the auditor. U-turn movements help to assure a better patron experience in so far as they help ensure that vehicle return times remain within the acceptable range. Finally, concessionaire has recommended to MBCC staff and the event sponsor that during the

event the use of Convention Center Drive be limited to valet parking, limousines and other VIP vehicles requiring access to the main entrances. Taxis and buses should be directed to utilize Meridian Avenue for drop-off and pick-up activities during the event. In concessionaire's opinion, the distribution of vehicles to multiple entrances will reduce traffic volumes currently concentrated on Convention Center Drive and, as such, improve valet service vehicle return times and positively impact general operations for the event.

Internal Audit Observation:

Although Internal Audit realizes that u-turns were mutually agreed upon as the preferred option during the planning of the event by the parties involved, we believe that there are other options to consider such as requiring valet personnel to drive through the normal traffic patterns to their desired destination, making Convention Center Drive only accessible to vehicles traveling northbound, etc. These actions may require the need for additional valet personnel but it should increase safety and improve the traffic flow on Convention Center Drive which is used by event patrons, taxis, shuttles, etc. in addition to concessionaire personnel.

2. Finding – Concessionaire Personnel

The concessionaire provided documentation showing that they employed a total of 64 runners at various times to handle the events' valet parking needs. Although properly attired in uniforms and observed acting courteous to customers over the six days present, concessionaire personnel were observed performing the following actions that are in need of improvement:

- a. As expected, a large number of valet patrons left Art Basel Miami Beach 2012's Vernissage (12/05/12) near its 9:00pm closing. Few vehicles were being dropped off at this time so the runners' income was being derived primarily from gratuities received for delivery of patrons' vehicles. However, the voluminous demand resulted in lengthy waits for customers (see the calculated turnaround times listed in finding #5) which typically meant fewer gratuities for the runners. As a result, a number of runners were observed that either stopped working or did not work as hard since they were not making much money which further increased attendee's waiting times.
- b. A runner was observed accepting additional payments directly from a valet patron on Wednesday (12/04/12) as they tried to circumvent the concessionaire's established process in an effort to expedite delivery of their vehicles. The runner later returned the monies to the patron after being unable to help her.
- c. One administrative employee stationed at the valet kiosk was overheard repeatedly telling angry patrons waiting for their vehicles during Vernissage (12/05/12) that there were 80 runners working but nothing could be done when 1,000 vehicles have to be returned at once (an untrue statement).
- d. Several valet patrons were observed waiting over an hour for the return of their vehicles with the longest measured turnaround time being 104 minutes on Saturday (12/08/12). All patrons' tickets are time stamped by the concessionaire at the valet kiosk so there is no dispute about the amount of time that these individuals waited for the return of their vehicles. Although the concessionaire's

management is responsible for determining their business practices, it was surprising that they steadfastly refused to return any of the \$20 valet fees despite several requests from these disgruntled patrons.

Recommendation(s):

The implementation of the following recommendations regarding concessionaire personnel should help improve future performance:

- a. The concessionaire should take sufficient steps to help ensure that all scheduled valet runners are motivated and working diligently, especially during peak times to help provide faster turnaround times and to increase customer satisfaction.
- b. The concessionaire's runners should not accept additional monies from valet patrons to as a means to expedite vehicle delivery and to circumvent the established process.
- c. Concessionaire's employees should be better trained and more professional when dealing with disgruntled patrons.
- d. The concessionaire should consider a policy whereby customers' monies are refunded for not meeting minimum turnaround times or for providing poor customer service.

City's Response (Parking Department):

The Parking Department concurs with Internal Audits recommendations. Item No 2b and 2d may be addressed in next competitive bidding process for these services.

Concessionaire's Response:

Concessionaire agrees with findings b and c and would note that immediate action was taken during the event to correct both issues. With respect to findings a and d, Concessionaire respectfully disagrees with the Internal Audit's findings.

- a. Valet employees are paid both an hourly wage and receive the added benefit of any gratuities provided by patrons. While the prospect of gratuities certainly provides an added incentive, the auditor's conclusions regarding declines in employee productivity and employee motivations are ill-founded, as any number of other factors, including the very difficult operating conditions experienced during Vernissage, likely are greater contributors to the decline in vehicle return times.

In an effort to continually improve service, concessionaire will establish a bonus incentive fund for high demand event periods, such as Vernissage. The fund will provide valet runners an additional incentive to mitigate against any potential diminution of service attributable to reductions in gratuities resulting from patron dissatisfaction with longer vehicle return times caused by external factors discussed above.

- d. It is the concessionaire's policy to grant such refunds when the delay is attributable to an operational mistake (i.e. retrieval of incorrect vehicle, accident, etc.) of the concessionaire. In all such circumstances, and in many instances

during the audited event, the concessionaire provides the patron a full refund. Where delays are attributable to external factors beyond the control of the concessionaire (i.e. heavy traffic in the area that delays return times; patron distraction/departure from the retrieval area; etc.), then refunds are not provided. In many instances, requests for refunds were denied where performance delays were not attributable to the concessionaire. On more than a few occasions, valet runners retrieved vehicles only to have patrons leave the retrieval area or re-enter the event. During Vernissage and on Saturday afternoon/early evening, heavy traffic significantly impacted vehicle retrieval times. While refunds were not provided due to such external factors, refunds were routinely provided due to the operational shortcomings of the concessionaire.

As noted above, concessionaire currently has a refund policy in place that is fair and equitable to both customers and our company. We will discuss additional potential refinements to the policy with management in the Parking Department in an attempt to enhance the patron experience without prejudice to the concessionaire for reasonable external factors which are beyond its control.

Internal Audit Observation:

- a. Prior inquiries with concessionaire management and staff found that employees primary means of payment is \$2 for each vehicle delivered to one of the storage lots plus any received gratuities upon returning the vehicle to the owner. Hourly wages are typically only received when valet operations are slow to help adjust employees pay to at least equal minimum wage. Otherwise, staff might not want to work as hard or at all on slower events. Vernissage does not fit these criteria as it is the busiest valet parking day of the event. Therefore, a minimal stipend would have been received at most as staff was primarily compensated by the other means stated above.

Internal Audit approached several valet runners shortly after Vernissage ended who were noted walking slowly whereby they expressed their frustrations over the lack of gratuities received from customers unhappy over the lengthy turnaround times. Consequently, we met with concessionaire management who then communicated to staff that an hourly wage would be implemented as a means to motivate staff to work harder.

- d. The valet operator had acceptable turnaround times consistently throughout Saturday except for several patrons. For example, other than three substandard turnaround times of 65, 66 and 104 minutes between 4:00 and 5:00 pm, the remaining fifteen tested times were all less than 33 minutes with most being less than 15 minutes. Internal Audit was told that the reasons for the delay were due to the automated system not working and miscommunication between the corresponding radio transmissions. We personally observed all three of these high turnaround times patrons request refunds from several different members of concessionaire management but all were uniformly refused in deference to the company's policy listed above under the management response section.

3. Finding – Supplied Employees' Names and Drivers' Licenses
Among other requirements, City Code Section 18-311 requires valet operators to submit a listing of all their employees engaged in valet services on Miami Beach to the City's

Internal Audit Report
First Class Parking LLC Valet Parking Operational Audit
November 15, 2013

Parking Department by the fifth day of each month. This listing is to be accompanied by copies of their valid Florida drivers' licenses. Additions and deletions to this list are then to be reported in subsequent months. A failure to comply shall result in a fine of \$25 per day to the valet operator.

The concessionaire sent a December 5, 2012 email to the City's Parking Department of 43 employees' names and drivers' licenses that were going to work during Design Miami and Art Basel Miami Beach 2012. No other employee rosters or drivers' licenses had been provided from First Class Parking, LLC since those received on December 15, 2011 during last year's similar internal audit.

The provided employee roster showed that the concessionaire had a total of 64 different runners working at various times during Design Miami and Art Basel Miami Beach 2012. A comparative review of the aforementioned submitted runners' drivers' licenses and the daily employee rosters found that 27 of these runners' drivers' licenses were not supplied to the City's Parking Department.

Internal Audit subsequently entered the 43 concessionaire runners' furnished Florida drivers' license numbers into the State's website on December 12, 2012 to discover that all but one were valid. Fortunately, this corresponding runner did not work during the tested events according to the concessionaire's provided daily employee rosters.

In summary, the concessionaire is not fully complying with City Code Section 18-311 and yet the Parking Department had not sent any known correspondence requesting the missing documentation or had not issued any fines. When questioned, Parking Department staff stated that they have not been issuing any fines per City Code Section 18-311 to any of the 64 active valet operators per a January 3, 2013 review of the Eden System's Licensing Module.

Recommendation(s):

First Class Parking LLC should furnish a complete listing of all runners' drivers' licenses to the Parking Department by the fifth of each month or be subject to the \$25 daily fine addressed in City Code Section 18-311(4). The validity of each submitted drivers' license should be promptly checked by the Parking Department with any non-conforming employees prohibited from working until evidence is provided showing that the identified shortcomings have been resolved.

City's Response (Parking Department):

The Parking Department concurs with this recommendation and will implement it upon redistribution of tasks and workload with staff and/or the identification of additional resources.

Concessionaire's Response:

With regard to the Internal Audit findings, the concessionaire would note the following by way of clarification:

- (i) Concessionaire's employee roster referenced hereinabove consisted of employees not only servicing the MBCC, but also New World Symphony, Bass Museum and Jackie Gleason Theatre. A centralized employee roster was maintained at the MBCC for administrative convenience. Employees of the

concessionaire scheduled to service the other aforementioned facilities were advised to report to the MBCC prior to traveling to their assignments in order sign-in. Of the 64 valet runners listed on the roster, only the 43 for which information was transmitted to the City were available for the events at MBCC.

- (ii) Concessionaire is surprised by Internal Audit's finding that one (1) of the forty-three (43) licenses submitted for approval was found to be invalid. Concessionaire routinely pre-screens licenses using the State's website to ensure the validity of the license prior to an event and submittal of said credentials to the City. As it is unclear from the face of the audit when the Internal Audit review of the licenses was completed, concessionaire will follow-up with to determine the timing of said review and discuss ways to eliminate any potential gaps in concessionaire's existing screening protocol.

Internal Audit Observation:

Timing differences may result as noted license deficiencies are resolved or new ones created due to associated lapses. Internal Audit checked the State website on December 12, 2012 which is shortly after Art Basel Miami Beach 2012 concluded with documentation maintained clearly showing that one concessionaire employee's furnished drivers license was invalid due to the individual's failure to pay four separate outstanding traffic fines. As mentioned above, this employee did not work at Art Basel but per the concessionaire's response he most likely was working elsewhere in Miami Beach on this night in contradiction to the listed company policy which did not identify this omission in advance.

4. Finding – Parking Spaces and Lots

Space permitting, the concessionaire primarily parked their valet patrons' vehicles Tuesday (12/04/12) through Friday (12/07/12) in the 5C surface lot and the Miami Beach Convention Center's north loading dock. Meanwhile, they also reached a separate agreement with the Miami Beach Senior High School to use their bus ramp and parking lots after 4:00pm Wednesday through Friday and throughout the weekend since school was not in session. Finally, the top floor of the City's garage located on the corner of Meridian Avenue and 18th Street was used to park the concessionaire's employees' personal vehicles.

Given these arrangements, valet parking operations had to cease for three hours on Wednesday (12/05/12) and intermittently on Friday (12/07/12) due to the following parking space and lot shortcomings:

- a. The previously agreed upon number of parking spaces in the north loading dock was not made completely available on Wednesday (12/05/12) as numerous storage containers were parked on site. Trailers were subsequently moved and/or consolidated which made more spaces available during the remaining days of the events.

Therefore, the City's 5C lot (located at the southern end of the Miami Beach Convention Center and directly east of City Hall) was primarily used to valet park vehicles on Wednesday (12/05/12), which limited availability and required the concessionaire to be creative in finding parking spaces. Further complicating matters was that City employees and Global Spectrum's dockworkers also

parked in this lot. Internal Audit toured the lot with concessionaire staff at 1:00pm to find that a total of 66 vehicles were improperly parked inside which was comprised of 49 dockworkers and 17 City employees' vehicles. In addition, the concessionaire's lot security attendant was instructed to keep the first seven spaces open for anyone needing to conduct business in City Hall.

Parking Enforcement Officials were contacted resulting in the issuance of four citations as the remaining 62 vehicles contained valid decals. Most of these vehicles either did not return on the remaining event days or parked elsewhere which provided the concessionaire with needed additional parking spaces prior to Miami Beach Senior High School's availability.

- b. One vehicle valet parked in the north loading dock on Friday (12/07/12) was found to have its passenger side window down thereby exposing its contents to the weather and possibly vandals. Similarly, a runner left a VIP customer's vehicle passenger side window down on Wednesday (12/05/12) parked in front of Hall C, where numerous passersby walked. Once notified, the concessionaire's staff took immediate action and properly secured the two aforementioned vehicles.

Recommendation(s):

The implementation of the following recommendations should help improve valet operations during next year's slated events:

- a. The promised north loading dock spaces should be made available to the concessionaire from the event's opening or additional parking spaces should be found. For whatever reason, the shortage of promised parking spaces tends to be a reoccurring problem which has been addressed in previous audits. Also, greater precautions should be taken to help ensure that the unionized dockworkers and City employees (Citywide emails dispersed prior to the event, closing the 5C lot at 6:00pm on Tuesday and having its entrance continuously manned afterwards, etc.) do not park in the valet lots so that it does not result in disgruntled customers, impact the concessionaire's operations, increase the possibility of accidents, etc.
- b. All valet parked vehicles' doors and windows should be properly secured at all times to help provide maximum protection from the weather and vandals.

City's Response (Parking Department):

The Parking Department concurs with Internal Audits recommendations. Additionally, we recommend that the use of any of the convention center loading docks not be included as a component of the vehicle storage inventory in the future. These facilities have consistently been unavailable resulting in reduced vehicle storage capacity and subsequently unfulfilled expectations by the client and our patrons.

Concessionaire's Response:

Concessionaire concurs with both Internal Audit's findings and recommendations.

5. Finding – Turnaround Times

The Parking Department previously established a goal of twenty minute turnaround

Internal Audit Report
 First Class Parking LLC Valet Parking Operational Audit
 November 15, 2013

times which has been carried forward to Design Miami and Art Basel Miami Beach 2012 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 during the events to help provide a representative sample which are summarized in the following table by the listed five minute incremental periods:

	12/04/12 Tuesday	12/05/12 Wednesday	12/06/12 Thursday	12/07/12 Friday	12/08/12 Saturday	12/09/12 Sunday
Number of Tested Daily Turnaround Times	4	101	80	85	117	63
Average Daily Time *	7.50	12.75	7.84	6.47	16.97	6.17
% 5 minutes below	0.00%	25.74%	28.75%	42.35%	5.98%	55.56%
% 6 – 10 minutes	100%	31.68%	53.75%	52.94%	44.44%	39.68%
% 11- 15 minutes	0.00%	10.89%	13.75%	2.35%	23.08%	1.59%
% 16 – 20 minutes	0.00%	5.94%	0.00%	1.18%	4.27%	0.00%
% Over 20 minutes *	0.00%	25.74%	3.75%	1.18%	22.22%	3.17%

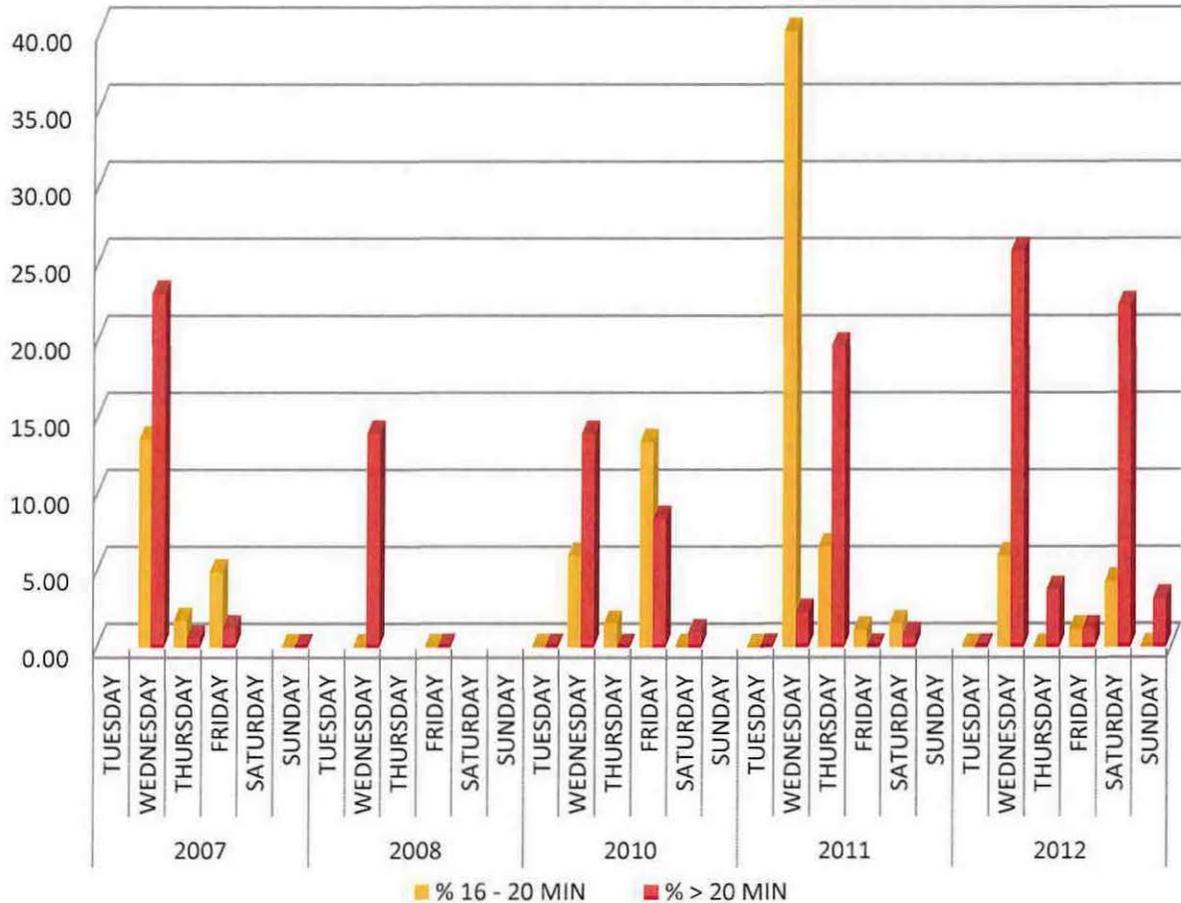
* Less turnaround times can be measured during times when valet service is slow as Internal Audit has to continue to monitor the patron(s) until they receive their vehicles. As a result, the above percentages may be skewed accordingly.

The table shows that the highest individual turnaround times (25.74% exceeded 20 minutes) was experienced on Wednesday (12/05/12) 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 from 6:00pm till 9:00pm. Another difficult turnaround period occurred late afternoon/early evening on Saturday (12/08/12) which the concessionaire attributed to communication shortcomings with the lot attendants after the web based automated valet system (addressed in finding #6) stopped functioning. As a result, lot attendants were notified by radio to send customers' vehicles but unknowingly not all requests were confirmed resulting in sporadic service as some customers waited excessively while others only waited less than ten minutes.

One problem encountered during Vernissage was that the concessionaire did not have sufficient administrative staff at the white tents outside of Hall D where valet customers had to submit their valet ticket, pay the associated \$20 fee, wait for their ticket number to be sent to the lot attendants and then be instructed where to retrieve their vehicle. As a result, customers were waiting upwards of thirty minutes just to submit their ticket and to begin the vehicle retrieval process. This additional time was not recorded in Internal Audit's calculated turnaround times so as to be consistent with prior year's results.

The following chart summarizes the daily results from the 2007, 2008, 2010, 2011 and 2012 audited events respectively (the 2009 event was not included in the approved annual audit plan) and are provided for comparative purposes only:

Percentage of turnaround times sampled from 16 to 20 minutes and over 20 minutes



Recommendation(s):

Although there is still room for improvement, overall turnaround times other than 12/05/12's Vernissage and 12/08/12's late afternoon/early evening hours were acceptable as a majority of monitored customers' vehicles were retrieved within ten minutes. However, the concessionaire should continue to try new approaches to further reduce customer's waiting times in the future. One recommended item is for the concessionaire to utilize more administrative employees, especially near daily closing times, at the white tents outside of Hall D where customers submit their valet tickets to help expedite the vehicle retrieval process.

Concessionaire's Response:

Concessionaire concurs with Internal Audit's findings. By way of clarification, concessionaire would note that over the course of the initial term of the concession agreement, it has submitted repeated request to the City to complete the improvements (i.e. installation of power source and communications lines) required by section 27 of the agreement. The communications shortcomings resulting from the failure of the automated valet system are attributable to the unavailability of the required improvements and the concessionaire's need to rely on wireless air cards that provide less consistent service.

Concessionaire concurs with Internal Audit's recommendations and will have a minimum of two (2) additional administrative staff assigned to assist valet customers outside of Hall D with the processing of vehicle retrieval requests. In addition, the concessionaire would recommend that the required City improvements (for which a quote was obtained as recently as June of 2013) be completed well in advance of this year's event in order to minimize service disruptions and enhance the experience of MBCC patrons.

6. Finding – Automated Valet System

In summary, section 27(iii) of the signed concession agreement requires the implementation of an automated valet system by the concessionaire to be completed and operational by April 1, 2011. It was noted that the concessionaire had successfully implemented their automated valet system during Design Miami/Art Basel Miami Beach 2011, which was also used during this year's event. This web based system allows lot attendants tasked with managing vehicle inventories to log in the ticket number, the names of the valet runners parking and retrieving the customers' vehicles, the vehicles' description, etc. Upon the customers' request to have their vehicles returned, the corresponding ticket numbers were scanned into the automated system thereby identifying the lots where the vehicles were parked and then alert the attendants to dispatch runners to retrieve them.

When functional, this simplistic automated valet system appeared to work well. Unfortunately, the automated valet system was found to be either not functioning at all or working intermittently due to connectivity problems during Wednesday (12/05/12) and Saturday (12/08/12), which contributed to the substandard turnaround times addressed in finding #5.

Recommendation(s):

The concessionaire should continue to strive to improve the connectivity of their automated valet system, which therefore should, also help reduce turnaround times, improve customer satisfaction levels, etc. The system should be sufficiently tested before the events' start to help ensure that it is functioning properly on Wednesday (12/05/12). Furthermore, the concessionaire should determine an optimal way to ensure that the Miami Beach Senior High School lot and bus ramps are able to maintain connectivity due to their distance from Hall D.

City's Response (Parking Department):

The Parking Department concurs with Internal Audits recommendation. Pursuant to the terms of the Concession Agreement, the City's Parking Department is funding the improvements to provide hardwired connectivity.

Concessionaire's Response:

Concessionaire concurs with the findings and recommendations of Internal Audit. Concessionaire would re-state its recommendation related to finding 5 above regarding the timely completion of still pending City improvements contemplated in section 27 of the concession agreement.

7. Finding – Monthly Concession Payments

The signed concession agreement requires First Class Parking, LLC to remit equal monthly payments of \$14,355.85 (which includes \$939.16 in state sales tax) by the

fifteenth of the month or be subject to 18% interest. As a result, a Parking Department Office Associate IV manually creates a City Bill in the Eden Systems' Accounts Receivable Module each month. Testing found that 12 of the 13 payments analyzed were paid after the due date resulting in interest being levied. As January 14, 2013, outstanding late fees totaling \$608.72 exist which will be increased pending receipt of the December 2012 payment, which was past due at that time.

Recommendation(s):

The concessionaire should immediately remit the \$608.72 outstanding balance plus December 2012's payment and associated interest. Furthermore, the Parking Department should create standard operating procedures regarding the collection process to help provide a more proactive and successful collection effort.

City's Response (Parking Department):

The Parking Department concurs with Internal Audits recommendations.

Concessionaire's Response:

Concessionaire would note that the account balance referenced above has been paid.

Internal Audit Observation:

A review of the Eden System's Accounts Receivable Module on October 21, 2013 shows that the concessionaire currently owes the City a total of \$29,935.67 as they consistently remit their monthly rental payments after the listed due dates.

8. 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.

Although it was determined that the concessionaire had properly submitted their current insurance policy certificates to the Parking Department, they were not subsequently forwarded to the City's Risk Manager for approval as required by the concession agreement and City Code Section 18-310(1)c. Fortunately, the concessionaire's insurance policy was subsequently approved for sufficiency by the Risk Manager but this may not always hold true and it could increase the City's risk exposure accordingly.

Recommendation(s):

The Parking Department should promptly forward all received concessionaire insurance policies to the City's Risk Manager for her review. Any noted deficiencies should be immediately corrected to better protect the City.

City's Response (Parking Department):

The Parking Department has forwarded all related insurance policies to the City's Risk Manager for review/approval.

9. Finding – Reported Revenues

The Parking Department previously posted concessionaire payments to designated cash and revenue accounts in the City's Financial System, without creating any receivables. In response to prior internal audits, the Parking Department began creating City Bills to invoice the concessionaire, with the first one dated May 3, 2012 for the month of April 2012.

However a check from the concessionaire for that month had been received and applied to the accounts using the previous method. As a result, subsequent payments were applied to the wrong month and City Bills were created with wrong billing dates in arrears. This practice continued until November 2012 when the inadvertent error was noted by Parking Department staff.

Internal Audit's review of the concessionaire's applicable general ledger account entries found that due to dating the invoices and entering them earlier in arrears resulted in a total of thirteen monthly payments being recorded in the 2011/12 fiscal year instead of twelve. The month of October 2012's payment had been incorrectly entered in September and included in the 2011/12 fiscal year. Upon notification, the Parking Department requested a journal entry to reclassify the October 2012 payment to the correct fiscal year, which was completed shortly thereafter.

The Finance Department's Financial Analyst I processed an adjustment reducing outstanding concessionaire amounts based on an email from the Parking Department's Office Associate IV with no other supporting documentation provided. No one else in the Parking or Finance Departments reviewed or approved this adjustment.

Recommendation(s):

The journal entry to reclassify the October 2012 payment to the 2011/12 fiscal year has been accurately completed. Going forward, the Parking Department should consider setting up the Auto Billing feature in the Eden System's Accounts Receivable Module for this equal monthly amount to help ensure that the concessionaire is timely and correctly invoiced each month, as well as saving the Office Associate IV time from having to repeatedly input the pertinent data. Conversely, the Parking Department needs to be cognizant of the need to promptly revise the Auto Billing feature for any subsequent changes in the agreement.

At a minimum, there should be several supervisory approvals received from the initiating department and supporting documentation attached before any adjustments are performed. Any noted deficiencies should be immediately changed.

City's Response (Parking Department):

The Parking Department will pursue the implementation of the Eden System's Auto Billing feature.

Internal Audit Report
First Class Parking LLC Valet Parking Operational Audit
November 15, 2013

City's Response (Finance Department):

The Finance Department will work with the Parking Department to implement Eden System's Auto Billing feature for this agreement.

EXIT CONFERENCE

An initial exit meeting was to discuss the audit report between Parking Director Saul Frances, Parking Operations Manager Miguel Beingolea, 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. Another meeting was subsequently held with the Finance Department on October 30, 2013 to discuss the relevant findings and to obtain their management responses. The management responses received from the Parking Department, Finance Department and the concessionaire's management were promptly 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:FM:fm

Audit performed by Senior Auditor Mark Coolidge and Auditor Fidel Miranda

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