

MIAMIBEACH

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 24, 2014
AUDIT: First Class Parking, LLC Valet Parking Operational Audit
PERIOD: Tuesday December 3rd through Sunday December 8th, 2013
(Design Miami and Art Basel Miami Beach 2013)

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 2013 which was held between December 3rd and December 8th 2013 in an effort to determine their compliance with selected provisions in their signed concession agreement.

INTRODUCTION

The ninth 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 3rd and continued to operate concurrently with Art Basel Miami Beach 2013 from December 4th through December 8th.

Art Basel Miami Beach 2013 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 75,000 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. The concession agreement covered a multitude of issues including monthly fixed minimum rental payments, required insurance coverage, signage, performance bonds, property maintenance, etc. On September 11, 2013, the City Commission approved to exercise the agreement's one additional two year renewal option valid through 09/30/15.

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):

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Event Days (Actual Dates Vary)	2007	2008	2010	2011	2012	2013
Tuesday	N/A	N/A	96	82	94	86
Wednesday	781	746	805	794	649	635
Thursday	583	360	453	444	497	492
Friday	655	521	528	618	583	550
Saturday	735	471	683	706	745	777
Sunday	461	475	522	467	513	596
Total	3,215	2,573	3,087	3,111	3,081	3,136

* Design Miami was not held in Miami Beach prior to 2010 so its valet parking operations were not listed above in years 2007 and 2008.

OVERALL OPINION

The City’s valet parking concessionaire First Class Parking LLC faced a challenging task in satisfying Design Miami and Art Basel Miami Beach 2013’s valet parking needs due to the daily time certain event ending, the large volume of vehicles, the limited availability of parking spaces, the automated valet system’s reliance on wireless air cards, etc. Other than Wednesday’s Vernissage event (a preview of the art exhibit before its formal opening) and intermittent other days’ early evening periods, 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 Design Miami and Art Basel Miami Beach 2014. Shortcomings in the following areas were noted during testing and are described further in the section entitled “Findings, Recommendations and Management Responses”.

- Issues regarding signage, meter bagging, u-turns and vehicle drop-off and pick-up are addressed.
- Concessionaire personnel’s actions (not always reconciling patrons’ ticket numbers to the ones on the vehicles’ dashboards, storing vehicles on the valet ramp, runners accepting monies directly from patrons, unsecured vehicles, VIP parking rates and poor disposal of tickets) are listed that are in need of improvement.
- The December 2013 supplied listing of concessionaire employees’ names and drivers’ licenses was incomplete and no others were furnished to the Parking Department during the year.
- Insufficient parking spaces were made available to the concessionaire to satisfy patron demand.
- Calculated turnaround times were primarily within the Parking Department’s twenty minute goal except for Vernissage and other scattered early evening tested occasions.
- The concessionaire’s automated valet system was operational throughout the events other than approximately one hour near Vernissage’s closing.
- Monthly concession payments were received continually late by the City’s Parking Department with a total of \$29,591.63 being owed as of December 18, 2013.
- The Procurement Department did not maintain a current copy of the concessionaire’s insurance policy that was approved by the City’s Risk Manager.

PURPOSE

The purpose of this audit is to determine whether First Class Parking, LLC complied with selected terms in their concession agreement aimed at providing timely and quality professional valet services to Design Miami and Art Basel Miami Beach 2013 attendees.

SCOPE

1. Confirm that First Class Parking, LLC (concessionaire) has complied with selected criteria outlined in the concession agreement. Examples of areas tested include monitoring the rates charged, assessing the performance of assigned staff toward valet patrons, etc.
2. Confirm through inquiries and 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, were late charges billed and collected in accordance with the concession agreement.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

During the course of our physical observations, inquiries with key personnel and review of provided supporting documentation, the areas below were deemed in need of improvement with any repeat of prior year's finding denoted by an asterisk (*) in the left hand margin.

1. Finding – *Issues Regarding Signage, Meter Bagging, U-turns and Vehicle Drop-off and Pick-up are Addressed*
An estimated 75,000 patrons attended Design Miami (held in the Miami Beach Convention Center's preferred parking lot or P lot) and Art Basel Miami Beach 2013 (the event's entrance was at 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 effective use 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 2013 and are in need of corrective action prior to next year's scheduled events:

- a. * All the parking meters located on Meridian Avenue between 18th and 19th Streets were bagged on Tuesday (12/03/13) thereby restricting access except for one, parking meter number MR18043. This meter was located at the northern end of the valet ramp and closest to Design Miami's entrance.

A Volkswagen Passat was already parked in this space upon the concessionaire's 10:30am arrival. The Passat's owner did not pay the meter, did not have a valid permit and was not cited upon Internal Audit's arrival. Despite being notified early in the day, the Parking Department did not take any apparent disciplinary action against the vehicle owner prior to our 7:15pm departure. As a result, the concessionaire was forced to move the valet ramp further south to compensate for this vehicle's existence. On a positive note, the meter was properly bagged for the remainder of the event.

- b. * The concessionaire's staff working at Design Miami on Tuesday (12/03/13) 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.
- c. The 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 2013. This location was continuously staffed by a Parking Enforcement Officer to help avoid accidents by blocking traffic. However, the removal of last year's roundabouts plus the existence of a sign board and various delivery trucks bringing needed supplies to the Miami Beach Botanical Gardens prevented most drivers from being able to quickly navigate the turn. As a result, they had to perform slower three point turns which further hindered traffic flow for those driving south on Convention Center Drive. These delays were exacerbated during peak times and most likely contributed to the substandard calculated turnaround times addressed in finding number 5.
- d. * The standard procedure implemented was to have event attendees wishing to retrieve their valet parked vehicles to first submit their tickets at the "valet drop-off" kiosk by Hall D, pay the associated \$20 fee and then to proceed to the "valet pick-up" kiosk located on the west side of Convention Center Drive. In return, concessionaire administrative employees would scan the patrons' ticket numbers into their automated valet system. If the system malfunctioned, the lot attendants would be contacted via radio with the pertinent information.

Unaware or forgetting the proper procedure, a number of valet patrons were observed daily proceeding directly to the more visible "valet pick-up" kiosk instead of going first to the "valet drop-off" kiosk. After waiting unnecessarily and sometimes becoming agitated, these individuals would then make inquiries from the concessionaire staff member(s) stationed at the "valet pick-up" kiosk only to learn of their mistake. After becoming aware of the reoccurring problem, the concession staff member(s) began to make periodic announcements about the customer's need to pay first at the "valet drop-off" kiosk which helped lessen tensions.

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- e. * Some patrons did not promptly proceed to the “valet pick-up” kiosk after paying at the “valet drop-off” kiosk resulting in the runners being forced to wait with the retrieved vehicles. This problem was most noticeable Wednesday (12/04/13) evening when administrative staff at the “valet drop-off” kiosk were overheard repeatedly telling patrons that the wait was approximately 45 minutes when in reality it was only about half that time. Therefore, some of these patrons were noted socializing with friends or going inside the Botanical Gardens rather than waiting for their vehicles. As a result, several of these individuals’ vehicles were parked at the southern end of the valet ramp next to the kiosk waiting for their owners to return which reduced its length and made other customers have to walk further to retrieve their cars. In an improvement to operations, concessionaire management instructed their runners to return the patrons’ vehicles to the storage lots after waiting five minutes during the remaining days of the event.

In addition, valet patrons were observed taking chairs from inside the Botanical Gardens where they sat in them in front of its entrance waiting for their vehicles to be delivered. While the chairs blocked the entrance and creating an inconvenience to those customers desiring entry the Botanical Gardens, the chairs provided an added comfort to the valet customers over the previous years’ operations.

Recommendation(s):

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

- a. Better communication is needed between the Parking Department’s administrative and enforcement personnel so that the proper parking meters are bagged throughout the events.
- b & c. Concessionaire staff should not disrupt traffic flow by making u-turns on Meridian Avenue as instead they should follow approved traffic patterns to reach their desired location. Although u-turns were permitted on Convention Center Drive, they should reinstate the roundabouts present during past events and the sign board/delivery trucks should be relocated to give drivers more room to navigate the tight turn.
- d. Concessionaire staff should more clearly communicate the process by which patrons’ vehicles will be returned. On a positive note, concessionaire staff made periodic announcements at the “valet pick-up” kiosk informing patrons of the proper procedures to retrieve their vehicles which helped reduce their waiting times and frustrations.
- e. Concessionaire staff should provide more accurate retrieval time estimations when accepting their \$20 payment to better ensure that they are present when their vehicles arrive. If the customer is not present after five minutes, the vehicle should be returned to one of the storage lots rather than remain blocking valuable space on the valet ramp which was enforced by concessionaire staff from Thursday (12/05/13) on.

Also, valet patrons should be politely discouraged from moving and sitting on Botanical Gardens chairs as they wait for their vehicles to be returned. Instead chairs should be provided by the valet company and placed on the sidewalk on the north side of the kiosk.

Concessionaire's Response:

- a. The proper bagging of meters is critical to successful valet ramp areas and operations. Concessionaire recommends that the Parking Department bag the meters at midnight the night before the event; record the license plate numbers and vehicle type parked in the spaces bagged; place a notice on the windshield of the vehicle placing the owner of the vehicle on notice that the vehicle must be moved before 7:00 am or the vehicle will be towed. Parking Enforcement officers should return to the bagged meters at 7:00 am to assure that the vehicles have moved.
- b,c. Concessionaire has developed ramp and logistics plans that will eliminate U-turns, and greatly reduce left turns. These plans require the cooperation of the City and the Parking Department to implement. Concessionaire feels strongly that by implementing these logistics plans, those visitors to events will be better served; traffic patterns will be improved to enhance the flow of traffic during events; and turn-around times for both vehicle drop-off and pick-up will be reduced.
- d. The Concessionaire's logistics plan will eliminate this problem, as it color codes valet tickets, and designated by color umbrella, the drop off and pick up locations. Additionally, valet tickets will be printed with vehicle pick-up information. (** It is important to note that color recognition is key in any language and patrons will have the ticket matching the color of the pick-up station for their vehicle.) Concessionaire will also work with staff to assure that information is given to the patron upon drop-off, explaining the color coded pick-up location. That said, with so many international visitors to Miami Beach, there will be some miscommunication; therefore, concessionaire is committed to placing a 'Valet Concierge' to inform the staff more clearly and efficiently to assist patrons and direct them to the appropriate valet pick-up location.
- e. Concessionaire will strive to make the most accurate retrieval time known to the patron. Please note that in the valet industry, the approximate time is often affected by unforeseen circumstances such as traffic backups and accidents. Concessionaire's staff tells patrons that if they are not at the pick-up location when their vehicle arrives, that it will be returned to the storage location

Concessionaire would like to work with the City and the Convention Center Management Staff on a plan to provide some seating at valet pick-up locations. Please note that many patrons using valet do so due to their inability to walk long distances, and making the wait for the valet vehicle return more comfortable to Miami Beach's visitors is a needed improvement that requires all parties to work together to make happen.

City's Response (Parking Department):

- a. Parking spaces are reserved and posted with sufficient time to provide the motoring public notice of the parking restriction. Unfortunately, on occasion, meter bags or gorilla posts are vandalized or removed. The Parking Department will survey the space rentals no later than 6:00AM on the first day of the event to ensure its placement; however, reoccurrence may still be a remote possibility.
 - b,c. The Parking Department will work closely with the Concessionaire and the Police Department in coordinating a traffic plan which enhances safety. The Concessionaire's cooperation is essential to address recidivism.
 - d. The Parking Department concurs and supports the Concessionaire's logistical plan; however, the Concessionaire's cooperation is essential to address recidivism.
 - e. The Parking Department is supportive of this plan and concurs with providing amenities at the valet pick-up station that will enhance customer convenience. The Concessionaire's cooperation is essential to address recidivism.
2. Finding – *Concessionaire Personnel's Actions (Not Always Reconciling Patrons' Ticket Numbers with the Ones in the Vehicles, Storing Vehicles on the Valet Ramp, Runners Accepting Monies Directly from Patrons, Unsecured Vehicles, VIP Parking Rates and Poor Disposal of Tickets) are Listed that are in Need of Improvement*
- The concessionaire provided documentation showing that they employed a total of 77 administrative (lot men, registration, security, etc.) employees and runners to satisfy the events' valet parking needs. Although properly attired in uniforms and observed acting courteous to customers over the six days present, concessionaire personnel were noted performing the following actions that were in need of improvement:
- a. A rented gray Mercedes Benz E350 was given to a patron on Thursday (12/05/13) but the runner did not ask for or confirm that his ticket number agreed to the one on the vehicle's dashboard. When in fact, they did not agree and the individual drove away in the wrong vehicle while the other customer unknowingly filed a police report for a stolen vehicle. Fortunately, it was subsequently discovered that the vehicle was inadvertently taken by someone who had rented a similar vehicle and did not realize that it was a different car. The driver was eventually contacted with the aid of Hertz Rent-a-Car and the vehicle was returned to its rightful owner on the next day at the Convention Center.
 - b. Vehicles were left with their engines running on Wednesday (12/03/13) on the valet ramp as they waited for spaces to become available in lot 2 (the surface lot located at the southern end of the Miami Beach Convention Center and directly east of City Hall). Similarly, vehicles were left unattended on Friday (12/05/13) on the valet ramp waiting for runners to take them to the appropriate storage lots. The storage of these vehicles in the valet ramp is not allowed in City Code Section 18-342(d) but the concessionaire was not cited. Lastly, the practice of leaving the vehicles' engines running increases the possibility of theft.

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- c. * Although not personally observed by Internal Audit, two separate patrons waiting at the “valet pick-up” kiosk stated that concessionaire runners were accepting additional monies directly from customers on Wednesday (12/04/13) trying to circumvent the concessionaire’s established process in an effort to expedite delivery of their vehicles during this busy period.
- d. * Two vehicles valet parked in lot 2 on Thursday (12/05/13) and two others in the MBSHS lot on Sunday (12/08/13) had a side window at least partially open thereby exposing its contents to the weather and possibly vandals. Once notified, the concessionaire’s staff took immediate action and secured the aforementioned vehicles.
- e. * VIP parking is an industry accepted practice that is not addressed in the signed concession agreement whereby customers request and are willing to pay a premium for quick curbside service. The Parking Department allows this practice but does not want the concessionaire to negotiate with the customer as it is up to the patron to choose the amount they are willing to pay for the added service. Accordingly, the concessionaire’s ramp managers were overheard on several occasions telling inquiring VIP customers that the cost was \$60 in deference to the City’s instructions. Furthermore, VIP vehicles were observed being stored on the Meridian Avenue ramp for the Design Miami event on Tuesday (12/03/13) which contradicts City Code Section 18-342(d).

Concessionaire believes that much of the resulting dissatisfaction experienced by some VIP parking patrons stems from the lack of clarity with respect to the cost of this service as a result of the existing policy. The existing policy results in a rather awkward discussion between patrons and concessionaire staff, with patrons that agree to pay more than another patron left feeling dissatisfied. Rather than continue the existing policy, concessionaire has recommended that a VIP parking fee be established so that the transaction between patrons and concessionaire's staff is transparent.

- f. A number of discarded concessionaire tickets were found on the ground on Sunday (12/08/13) at Miami Beach Senior High School. In addition, more tickets were found on Prairie Avenue that most likely were blown out of the parking lot by the gusty winds.

Recommendation(s):

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

- a. Concessionaire staff should always ensure that the numbers on the customer’s ticket agree to the ticket located on the vehicle’s dashboard before relinquishing possession.
- b. The concessionaire should not store vehicles on the ramp without Parking Department authorization or they should be cited accordingly. Also, patrons’ vehicles should never be left unattended with the engines running.

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- c. The concessionaire's runners should not accept additional monies from valet patrons to as a means to expedite vehicle delivery and to circumvent their established process.
- d. All valet parked vehicles should be properly secured inside the lots (windows up, doors locked, convertible roofs closed, etc.) before the runner leaves.
- e. In order to provide VIP parking, the City's agreement should be amended to add a separate VIP parking fee. While this may improve the operational position of providing an enhanced service to the valet patron, the City's agreement specifies one rate for valet parking. If a separate VIP rate is warranted, then an amendment to the agreement would be required. Otherwise the concessionaire should follow the directions specified by the City's Parking Department and not negotiate or state the cost for VIP parking.
- f. The concessionaire's work areas should always be kept clean as all valet tickets should be properly disposed of.

Concessionaire's Response:

- a. Concessionaire agrees that all valet tickets should be checked to assure that the proper vehicle is returned to the ticket holder. Unfortunately, this incident did happen. The vehicle was a rental car, and the patron jumped in the vehicle and drove away not noticing that he was in the wrong car. Concessionaire immediately identified the problem, called the rental car company and the next day, the patron received their vehicle. Concessionaire agrees that checking the ticket number will avoid an incident of this nature in the future, and concessionaire will strictly apply this policy and procedure.
- b. Concessionaire recognizes that this did occur, but the circumstances of the event(s) during very hectic Convention Center events can happen, often at no fault of the concessionaire. The vehicles that were left running were left running by patrons who exited their vehicles and were waiting on the valet ramp refusing to leave the line, after being told all valet lots were full. Patrons were angry and impatient, insisting on waiting their place in line for an opportunity to valet their vehicle.

Concessionaire believes that a major cause of this type of problem (as well as backup in valet ramps) is primarily due to an inadequate amount of; and poorly placed valet storage locations. Concessionaire's logistics plan identifies a remedy to this and other valet challenges. To properly serve the number of patrons attending these events, the concessionaire requires a greater number of storage spaces in a closer proximity to the Convention Center as direly needed to better serve the visitors to Miami Beach. Concessionaire looks forward to working with the City and the Parking Department to address the vehicle storage areas and number and location of spaces made available for large events.

- c. While the concessionaire attests that patrons will often flash money at employees in an effort to garner quicker service; it is the strict policy of the concessionaire that each patron is assisted in the order that they present their ticket, and no

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patron is put ahead of another. Concessionaire will print appropriate language on valet tickets indicating said policy. Additionally, signs can be placed at valet stands stating same policy.

- d. Concessionaire agrees with finding and will train and remind all valet runners that vehicles must be checked for complete closure and security before leaving them in storage locations.
- e. Concessionaire agrees that there is a market during many events for Premium VIP valet parking. This could be accomplished with a dedicated lot and limited number of available premium VIP valet parking spaces (until full – and then by availability). Concessionaire looks forward to the opportunity to discuss this parking enhancement with the City and the Parking Department.
- f. Concessionaire commits to keeping valet drop-off and pick-up areas free of litter and or discarded tickets.

City's Response (Parking Department):

- a. The Parking Department concurs and recommends the concessionaire take proactive measure and redundancies to ensure all tickets are reconciled.
 - b. Vehicles parked curbside is a result of either a customer request or placement by concessionaire to expedite the customer's exit. Both are under the control of the concessionaire and should be mitigated to avoid the finding outlined above.
 - c. The Parking Department concurs with the recommendation to place their tipping policy on the customer's portion of the valet claim check and posted on signage containing valet parking fee. The Concessionaire's cooperation is essential to address recidivism.
 - d. The Parking Department concurs and recommends quality assurance (QA) by having a supervisor conduct random security checks. The Concessionaire's cooperation is essential to address recidivism.
 - e. Although valet parking service is the highest service level of parking, the Parking Department will evaluate the implementation of a VIP service in the City's next solicitation of valet parking services. In the interim, the Concessionaire's cooperation is essential to address recidivism.
 - f. The Parking Department concurs with this recommendation.
3. * Finding – *The December 2013 Supplied Listing of Concessionaire Employees' Names and Drivers' Licenses was Incomplete and no others were Furnished to the Parking Department During the Year*
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 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

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day to the valet operator.

The concessionaire appropriately sent a listing to the City's Parking Department on December 3, 2013 of 54 employees' names and drivers' licenses of staff scheduled to work during Design Miami and Art Basel Miami Beach 2013. No other employee rosters or drivers' licenses had been provided from First Class Parking since December 2012. Review of the concessionaire's provided employee rosters showed that 77 people worked during the event which included 37 names that were not previously furnished to the City's Parking Department and 16 that did not appear on any of the provided daily employee rosters.

Internal Audit entered the 54 employees' furnished Florida drivers' license numbers into the State's website on December 12, 2013 and verified that all but two were valid. Fortunately, these two individuals worked registration and as lot men/security during the tested events according to the concessionaire's provided daily employee rosters and not as runners driving customer's vehicles.

In summary, the concessionaire is not complying with City Code Section 18-311's requirements and yet the Parking Department has not sent any correspondence requesting the missing documentation or 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 active valet operators.

Recommendation(s):

The concessionaire should furnish a complete listing of all employees' 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. Also, Parking and/or Code Compliance personnel should periodically conduct site inspections to confirm that the actual valet employees working are the same as those for which names and drivers' licenses were submitted. If not, the proper enforcement actions should be taken.

Concessionaire's Response:

Concessionaire will furnish a complete listing of all employees' drivers' licenses to the Parking Department by the fifth of each month as required in City Code Section 18-311.

City's Response (Parking Department):

The Parking Department concurs with this recommendation and will have the Parking Enforcement Unit and Code Compliance Department enforce this provision.

4. Finding – *Insufficient Parking Spaces were made Available to the Concessionaire to Satisfy Patron Demand*

Space permitting, the concessionaire was authorized to store their valet parked vehicles in the following locations for the listed times and dates during Design Miami/Art Basel Miami Beach 2013:

- The surface lot located at the southern end of the Miami Beach Convention

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Center and directly east of City Hall was to be available throughout the events (called lot 2 by the concessionaire).

- The south and north Miami Beach Convention Center loading docks not being used by storage trucks, Global Spectrum or Parks & Recreation employee vehicles could be used throughout the events.
- The top floor of the City Hall garage located on the corner of Meridian Avenue and 18th Street was to be used throughout the events to park the concessionaire's employees' personal vehicles.
- The Fillmore ramp located on the corner of 17th Street and Washington Avenue plus the Fillmore backstage located directly west of the 5C surface lot were to be used whenever there were no shows scheduled (available Tuesday 12/03/13, Thursday 12/05/13 and Sunday 12/07/13).
- A separate agreement was reached between the concessionaire and the Miami Beach Senior High School (MBSHS) to use their parking lot and bus ramp after 4:00pm Wednesday through Friday and throughout the weekend when school was not in session.

Given these arrangements, the following shortcomings were noted which helped cause the concessionaire to discontinue accepting vehicles at 11:30am on Wednesday (12/04/13) until the MBSHS lot became available and disrupted subsequent valet parking operations:

- a. * Although a significant improvement from last year's event, there were still ten vehicles parked inside the City's 5C lot belonging to City and union workers thereby further reducing the number of parking spaces available. Also, the concessionaire's attendant was instructed to allow anyone with a handicap decal needing to conduct business in City Hall to enter and park at any available designated spaces.
- b. * No parking spaces in the north loading dock were made available during the event as the entire area remained full with storage containers, Global Spectrum administrative vehicles and City Parks & Recreation Department employee vehicles. Also, there were only approximately twenty spaces open daily for valet parking in the south loading dock.
- c. There was miscommunication on Wednesday (12/04/13) concerning the availability of the 7th floor of the City Hall Garage resulting in the concessionaire's employee vehicles being parked inside the 5C lot making fewer spaces available. This problem was rectified and employee vehicles were parked on the garage's top floor starting with Thursday (12/05/13).
- d. There were shows scheduled at the Fillmore on Wednesday (12/04/13), Friday (12/06/13) and Saturday (12/07/13) which prevented the valet from using both the ramp and back stage areas. Fortunately, the Friday show was rescheduled to 12/13/13 or after Design Miami/Art Basel Miami Beach 2013's conclusion.

- e. The MBSHS lot is only available after 4:00pm as school is in session during the day. A school function on Wednesday (12/04/13) evening became an early source of contention as desiring attendees were not permitted to enter the lot and were not initially told the location of alternate parking.

Recommendation(s):

Close parking is at a premium during Design Miami/Art Basel Miami Beach and its importance grows as the events' popularity increases and more patrons wish to attend. In the absence of new garages/parking lots being built and/or instituting City shuttles from nearby parking facilities going forward, the maximization of all spaces near the event takes on added significance and better event planning is needed.

For whatever reason(s), the shortage of promised parking spaces tends to be a reoccurring problem that continues to adversely impact event parking. Unionized dockworkers and City employees should not be permitted to park in the 5C lot during Design Miami/Art Basel. The issuance of several Citywide emails dispersed prior to the event informing employees of the need to park in other designated locations, closing the 5C lot at 6:00pm on Tuesday and having its entrance continuously manned afterwards, ticketing and/or towing violators' vehicles, etc. should help.

Spaces in the promised north and south loading dock should be made available to the concessionaire from the event's opening or additional parking spaces should be found. The Parking Department and the concessionaire should be in agreement as to the availability of the 7th floor of the City Hall Garage prior to the event's commencement. Whenever possible, the Fillmore should not schedule events on Wednesday, Thursday and Friday of Design Miami/Art Basel Miami Beach thereby making more parking spaces available (the back stage and ramp). Finally, any parking arrangements for any evening MBSHS functions during these days (basketball games, holiday ceremonies, etc.) have to be better communicated in advance to its attendees.

Concessionaire's Response:

- a. Concessionaire is challenged as to available spaces when meters are not bagged early enough and enforcement of the bagged meters is not carried out. A loss of 10 spaces is significant, as spaces are oftentimes turned 2-3 times per event – and such a loss constitutes a loss of up to 30 valet patrons, the ability to serve Miami Beach visitors – and revenues to concessionaire when payment to the City per month stays the same, but parking in concession agreement fluctuates due to lack of enforcement, bagging or other actions by Parking Department.

Additionally, when a parking lot is taken out of circulation for a special event, it is for the specific use only and should remain available for only that purpose, with no city decal parking and no handicapped decal parking. Concessionaire insures his operations at these specific locations and cannot be subjected to any liability caused by third parties.

- b. Concessionaire again lost significant ability to park vehicles when lots and spaces in concession agreement are not made available. The spaces in the

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north loading dock were not made available during the event as promised, because the entire area remained full with storage containers, Global Spectrum administrative vehicles and City Parks & Recreation Department employee vehicles. As stated above in response to a.) Concessionaire cannot best serve the City and its visitors if the spaces for valet service are not secured for valet storage. This area constituted a great loss in the number of valet parking storage areas, and as such, both diminished the concessionaire's ability to serve patrons and reduced income for the concession – without adjustment to concession rent paid monthly to City.

- c. There should be no miscommunication regarding where concessionaire's employees are to park. The top floor of the City Hall Garage is only suitable for parking of employees; both the concessionaire's and any City displaced parker (like Parks and Recreation who continuously park in 5-C lot when it is contracted for valet on days of events).

Concessionaire's Valet Logistics Plan addresses this and other critical matters as they pertain to valet parking, traffic, storage of vehicles and better operational ability, and concessionaire looks forward to working with the City and the Parking Department to fine tune many of the issues that this audit report covers.

- d. Multiple shows at multiple venues are also a challenge that the concessionaire's Valet Logistics Plan addresses, and we look forward to working with the City and Parking Department to address these challenges, and implement changes to the current valet system.
- e. The Miami Beach High School parking lot is a valuable asset to the City for valet parking storage, and should be utilized for all large shows. The concessionaire would like to discuss with the City Manager a plan to utilize the MBHS parking lot on a regular basis.

City's Response (Parking Department):

- a. The concessionaire is responsible for securing their storage location (Municipal Parking Lot P29) with either an attendant or security personnel. Vehicles parked in Municipal Parking Lot P29 prior to placement of an attendant or security personnel are not subject to enforcement actions. The Concessionaire's cooperation is essential to address recidivism.
- b. The Parking Department recommends abandonment of the intent to use the convention center loading docks. It is an expectation that has rarely come to fruition.
- c. The 7th level of the City Hall Garage is guaranteed to the concessionaire for two specific events (NMMA Boat Show and Art Basel). The concessionaire simply needs to make this request 48 hours prior to their intended use and it will be obliged.
- d. The Parking Department does not control booking policies for the various venues in the area. Parking spaces for storage are limited and the concessionaire must

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allocate sufficient staffing to each venue to ensure satisfactory service levels. The Parking Department is looking forward to discussing any logistical recommendations that would improve service levels.

- e. The Miami Beach Senior High School Parking Lot is available only when school not in session. The Miami-Dade County School Board is the governing authority regarding the use of school property.

5. * **Finding – Calculated Turnaround Times were Primarily within the Twenty Minute Goal Except for Vernissage and other Scattered Early Evening Tested Occasions**

The Parking Department previously established a goal of twenty minute turnaround times which has been carried forward to Design Miami and Art Basel Miami Beach 2013 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/her 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:

	12/03/13 Tuesday	12/04/13 Wednesday	12/05/13 Thursday	12/06/13 Friday	12/07/13 Saturday	12/08/13 Sunday
Number of Tested Daily Turnaround Times	14	131	92	74	118	57
Average Daily Time	4.9	15.4	9.4	11.0	12.3	12.2
% 5 minutes below	71.4%	8.4%	15.2%	8.1%	26.3%	8.8%
% 6 – 10 minutes	28.6%	35.9%	53.3%	55.4%	37.3%	38.6%
% 11- 15 minutes	0.0%	23.7%	25.0%	21.6%	11.9%	29.8%
% 16 – 20 minutes	0.0%	13.7%	3.3%	5.4%	11.0%	15.8%
% Over 20 minutes *	0.0%	18.3%	3.3%	9.5%	13.6%	7.0%

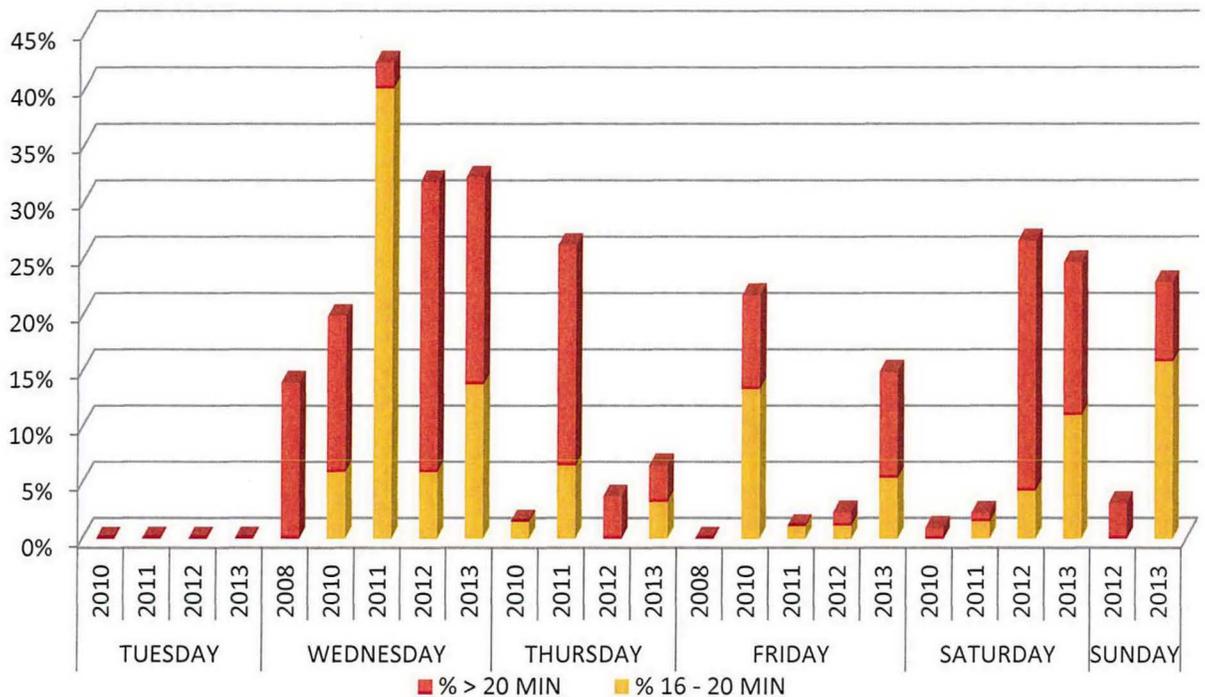
* Less turnaround times can be measured during times when valet service is slow as Internal Audit has to continue to monitor the patron(s) until they receive their vehicles. As a result, the above percentages may be skewed accordingly.

The table shows that the highest individual turnaround times (18.3% exceeded 20 minutes) was experienced on Wednesday (12/04/13) due to such factors as overlapping events, the large volume of vehicles valet parked within a short time period during Vernissage’s three hour opening from 6:00pm till 9:00pm and the concessionaire’s web based automated valet system (addressed in finding #6) stopped functioning for approximately 40 minutes starting at 8:50pm.

Another problem encountered during Vernissage was that the concessionaire did not have sufficient administrative staff at the “valet drop-off” kiosk located outside of Hall D where valet customers had to submit their valet ticket, pay the associated \$20 fee, have it time/date stamped and then be instructed where to retrieve their vehicle. Although significantly better than in prior audits as more administrative people were present that were tasked with entering the information into the automated valet system, customers still were waiting an estimated twenty 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 2008, 2010, 2011, 2012 and 2013 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 as tested



Recommendation(s):

Even though there is still room for improvement, overall turnaround times other than 12/04/13's Vernissage and some early evening outliers 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 "valet drop-off" kiosk located outside of Hall D where customers submit their valet tickets to help expedite the vehicle retrieval process.

Concessionaire's Response:

As stated in previous responses, it is impossible for an accurate time window of 20 minutes due to circumstances the concessionaire's staff does not control: vehicular traffic and accidents. At the valet drop off kiosk located outside of Hall D, the operation went as planned and was well executed. Concessionaire's Valet Logistics Plan addresses remedies and addresses changes to the operation which will enhance better turnaround times, which will in turn result in greater patron satisfaction.

City's Response (Parking Department):

The Concessionaire should continue efforts to improve upon vehicle retrieval processes, including the use of administrative personnel. The current concession agreement will expire in 2015. A formal competitive procurement process will be undertaken and it will include vehicle retrieval time performance standards, as well as other performance standards.

6. * Finding – *The Concessionaire's Automated Valet System was Operational throughout the Event Other than Approximately One Hour Near Vernissage's Closing*

As required in the concession agreement, the concessionaire had successfully implemented their automated valet system during Design Miami/Art Basel Miami Beach 2011, which was used during the past two year's events. 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 alerting the attendants to dispatch runners to retrieve them.

When functional, this simplistic automated valet system appeared to work well especially now with the concessionaire's recent purchase and installation of an upgraded AT&T wireless air card. Unfortunately, the automated valet system stopped working due to connectivity problems between 8:50pm and 9:40pm during Wednesday (12/04/13) which represented the concessionaire's busiest time of the entire event and would have 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.

Concessionaire's Response:

Concessionaire will continue to strive to improve the automated valet system, but this requires the City to implement certain on-site City improvements. Per the Concession Agreement Section 27 (ii) the Concessionaire attended the requisite meeting at the City wherein system implementation was discussed and City agreed to make necessary on-site improvements to City property needed for the system. Said improvements have not been implemented by the City and concessionaire has continued to provide the service and the automated system by utilizing a Wi-Fi hot spot. This is only a short term fix and the City needs to make the requisite improvements to aid concessionaire with the success of the Automated Valet System.

In response to the finding of the system being out for 40 minutes; it is a fact that the system went out briefly, but it was for no more than 10 minutes and concessionaire had technicians fixing the problem immediately.

City's Response (Parking Department):

The Parking Department has coordinated (and funded) this effort between the Concessionaire and Global Spectrum. Global Spectrum and the Concessionaire must

proceed with the installation of said enhancement.

7. * Finding – *Monthly Concession Payments were Received Continually Late by the City's Parking Department with a Total of \$29,591.63 being Owed as of December 18, 2013*
Section 3.1 of the signed agreement requires the concessionaire to remit equal monthly payments of \$14,355.82 (which includes \$939.16 in state sales tax) by the fifteenth of the month or be subject to 18% interest. If the payment is not received timely, a Parking Department Office Associate IV is to manually create a City Bill in the Eden Systems' Accounts Receivable Module.

Testing found that all thirteen monthly payments received between October 1, 2012 and December 18, 2013 were paid late or after the agreement's designated due date ranging from a low of 26 days for November and December 2012 to a high of 56 days for July 2013. It was subsequently calculated that the concessionaire owed the City a total of \$29,591.63 as of December 18, 2013 which was comprised of the following amounts:

- \$28,711.64 for the two monthly payments due November 15, 2013 (\$14,355.82) and December 15, 2013 (\$14,355.82) that had not yet been received.
- \$879.99 in interest which includes \$357.29 for August 2013, \$291.12 for September 2013 and \$231.58 for October 2013. The corresponding City Bills had not yet been created notifying the concessionaire of the amounts due.
- Additional interest will be owed for the months of November 2013 and December 2013 once the payments are received as they can already be considered as late.

Recommendation(s):

The concessionaire should immediately remit the \$29,591.63 current outstanding balance plus November 2013 and December 2013's associated interest. The Parking Department's Office Associate IV should create City Bills in the Eden System in a timely manner as it will give a more accurate description of the amounts owed at any given time and it may help expedite the collection effort. Finally, the concessionaire should make all prospective payments by the due date.

Concessionaire's Response:

Concessionaire has remitted the past due amount and interest. Timely invoices from the Parking Department will trigger immediate payment by concessionaire.

City's Response (Parking Department):

The Parking Department submits timely invoices to the Concessionaire. The concessionaire should submit payment on a timely basis.

8. Finding – *The Procurement Division did not Maintain a Form Approved Copy of the Concessionaire's Insurance Policy*
Section 9 of the concession agreement requires that the concessionaire maintain at its sole expense insurance coverage for Commercial General Liability or Garage Liability insurance, Garage Keepers Legal Liability, and Workers Compensation and Employer's Liability throughout the term of the agreement.

The concessionaire's insurance policy valid through December 22, 2013 was found scanned into the Eden System's Contract Management module but it had not been form

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approved by the City's Risk Management Division. It was printed on December 20, 2013 and brought to the City's Risk Management Division where it was determined to satisfy all the agreement's requirements. However, it was not form approved because the garage and garage keepers liability was to expire on December 22, 2013 which was in two days. A January 6, 2014 review of the Contract Management module found that a new insurance policy had not been scanned as of yet.

Recommendation(s):

The Procurement Department should only scan insurance policy certificates into the Eden System's Contract Management module after they have been form approved by the City's Risk Management Division. Also, they should continue to monitor all expiration dates and obtain new insurance policy certificates as needed to help ensure that the City's risk exposure is negated.

City's Response (Procurement Department):

In July, 2013, through LTC 230-2013, the Administration informed the City Commission that the past practices for the administrative contract management duties delegated to the user department's will be assumed by the Procurement Department. To facilitate contract administration process, the division is finalizing the implementation and full use of the City's contract management system that allows the tracking and maintenance of contractor performance evaluations, contract renewal periods, and risk management factors. Accordingly, the following actions have taken place:

- The City's the Eden Contract Management System has been fully assessed and, where feasible, system functionality has been improved to manage each contract's insurance requirements. At this point, all known contracts with insurance requirements have been recorded in Eden Contract Management System and electronic notifications have been implemented so replacement Certificates of Insurance (COI) can be requested prior to the expiration of the current COI. Additionally, the City has requested current COIs on all active City contracts and currently over 98% of all insurance requirements on all known contracts are up to date.
- Given the number of City contracts with insurance requirements, it has been determined that resources will need to be increased to manage this important phase of contract risk management. Manage public sector agencies have entire teams dedicated to the process of maintaining the agencies COI compliance. However, a more cost-effective solution is to outsource the management of the City's COI program to a firm that does this work routinely. As such, at the April, 2014, meeting of the City Commission, the Administration requested that the City Commission authorize the Administration to utilize a cooperative agreement to engage a firm to outsource COI compliance. The outsourcing of the COI program is currently under implementation.

EXIT CONFERENCE

An initial exit meeting was held to discuss the audit report with participants including Parking Director Saul Frances, Assistant Parking Director Rocio Alba, Parking Operations Manager Miguel Beingolea, Internal Auditor James Sutter, Senior Auditor Mark Coolidge and Auditor

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Fidel Miranda. The audit report was subsequently forwarded to First Class Parking, LLC management. The management responses received from the Parking Department and the concessionaire's management were incorporated to this 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:FM

Audit performed by Senior Auditor Mark Coolidge and Auditor Fidel Miranda

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cc: Kathie Brooks, Assistant City Manager
Patricia Walker, Chief Financial Officer
Saul Frances, Parking Department Director
Alex Denis, Procurement Department Director
Jorge Zuluaga, Chief Executive Officer, First Class Parking, LLC