



MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: March 31, 2008
AUDIT: Gold Star Inc. Valet Parking Operational Audit
PERIOD: December 5 through December 9, 2007 (Art Basel Miami Beach)

This report is the result of an audit of Gold Star Inc.'s valet parking operations conducted during Art Basel Miami Beach 2007 as requested by the Parking Department Administration.

INTRODUCTION

Art Basel Miami Beach 2007 was held at various City locations (Convention Center, Botanical Garden Center, Collins Park Beach, etc.) between December 5th and 9th. It combined an international art show with an exciting program of special exhibitions, parties and crossover events including music, film, architecture and design. Record event attendance was reported to exceed 43,000 with many patrons using the convention center valet parking services provided by the City's concessionaire called Gold Star Inc.

Gold Star Inc., an active Florida for-profit corporation, was granted through the City Commission's adoption of Resolution No. 2005-25791 the exclusive privilege of operating valet parking concessions at the Fillmore (formerly TOPA), Miami Beach Convention Center and such other properties authorized by the City as the Bass Museum of Art, Botanical Garden Center, Miami City Ballet, etc. The corresponding concession agreement commenced on 11/01/05 and expires on 10/31/08 with the City having the sole option to renew the same terms and conditions for an additional two years. It encompasses a multitude of issues including monthly fixed minimum rental payments, insurance coverage, signage, property maintenance, etc.

In compliance with Section 7 of Gold Star Inc.'s concession agreement entitled "assignment; no sublet", the City Commission on 01/17/07 approved the sale of a majority interest in Gold Star Inc. to Jorge Zuluaga, the principal shareholder of First Class Parking Services LLC. Mr. Zuluaga acquired a 75% interest in the company while Arthur Schultz will retain a 25% interest as well as continuing as the President and Director during the past year.

In an effort to improve future customer/promoter satisfaction and turnaround times at this year's event, the Parking Department and concessionaire agreed in a 09/12/07 signed letter to additional more stringent terms than those listed in the concession agreement (similar terms were followed for Art Basel Miami Beach 2006).

The following table compares the number of valet parked vehicles by day during the last two audited Art Basel Miami Beach events:

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Event Days (Actual Dates Vary)	2007	2006	Difference (2007 – 2006)
Wednesday	781	635	146
Thursday	583	340	243
Friday	655	610	45
Saturday	735	670	65
Sunday	461	620	(159)
Total	3,215	2,875	340

OVERALL OPINION

The City's valet parking concessionaire Gold Star Inc. faced a daunting and formidable task in satisfying Art Basel Miami Beach 2007's valet parking needs. The daily time certain event ending, the volume of vehicles and the limited availability of parking spaces made it difficult for the concessionaire to succeed. Yet, 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 next year's Art Basel Miami Beach. A majority of these issues arose because of the time constraints associated with Vernissage and the inherent difficulty in supervising the runners. Shortcomings in the following areas were noted during testing and are described further in the section entitled "Findings, Recommendations and Management Responses".

- Logistics,
- Concessionaire personnel,
- Utilization of provided parking spaces,
- VIP parking, and
- Turnaround times.

PURPOSE

The purpose of this audit is to determine whether the concessionaire complied with selected terms listed in both their concession agreement and the 09/12/07 signed letter aimed at providing timely and quality professional valet services to Art Basel Miami Beach patrons.

SCOPE

1. Confirm that the concessionaire has complied with selected criteria outlined in the concession agreement and the Parking Department's 09/12/07 signed letter. Examples of areas tested include meeting minimum staffing requirements, comparing calculated turnaround times to stated goals, monitoring VIP parking and the rates charged, assessing the performance of assigned staff toward valet patrons, etc.
2. Confirm through observations that the concessionaire has implemented sufficient internal controls in their valet parking operations and followed valet parking guidelines established by the City.

3. Confirm that the concessionaire is current with their occupational license and has sufficient insurance coverage.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding – Logistics

Art Basel Miami Beach 2007 had record attendance as the event continues to gain in popularity. With it comes a need to improve traffic flow and parking as attendees prefer to park as quickly and as close to the event as possible. Given the event's inherent limitations, the study of logistics grows in importance.

The following logistic shortcomings were observed during Art Basel Miami Beach 2007 and are in need of corrective action prior to next year's event:

- a. Taxis, buses and shuttles were observed stopping repeatedly in the passenger loading zone and valet ramp to either collect or unload passengers, especially during the first few days of the event. For example, Gulliver School unloaded two full school buses on 12/06/07 for approximately ten minutes blocking traffic. The Police Department was more successful in keeping these vehicles away as the event progressed.
- b. The positioning of approximately twenty-five parked BMW 760 IL courtesy vehicles just to the north of the Hall D valet ramp's exit blocked valuable space close to the event.
- c. Patrons wishing to retrieve their valet parked vehicles were to first submit their ticket at the valet kiosk and then proceed to the tent located on the west side of Convention Center Drive. Unfortunately, the valet kiosk was somewhat hidden by a white tent located directly south of Hall D. Consequently, several occasions were noted whereby valet patrons immediately proceeded to the vehicle pick-up tent designated by a sign rather than going first to the valet kiosk. After waiting unnecessarily and becoming agitated, these individuals would make inquiries and learn of their mistake.
- d. A driving rainstorm occurred on the afternoon of 12/07/07 and it became evident that the concessionaire was not properly prepared to handle this weather. For example, valet customers were getting wet exiting uncovered from their vehicles. In addition, event attendees walked close to the Convention Center building to avoid getting as wet and were observed cutting through the restricted key storage area.
- e. Although a sign was present on the Botanical Gardens fence, Internal Audit was repeatedly asked where event attendees could find the corresponding shuttles to other fairs. Similarly, others repeatedly inquired where they could catch a taxi or for directions. No one was present on the western side of Convention Center Drive to answer patron questions, valet related or otherwise, and several complained about the event's lack of organization.

Recommendation(s)

The implementation of the following recommendations should help improve the logistics for Art Basel Miami Beach 2008:

- a. Taxis, buses and shuttles should have a separate staging area away from the valet ramps for their customers to be picked-up and dropped-off.
- b. Valet ramps should be kept as long and as clear as possible. The movement of these courtesy vehicles should create an optimum location for taxis, buses, shuttles, etc. to unload their passengers.
- c. The valet kiosk should be moved to a more prominent location closer to Hall D. The proper placement of appropriate signage should also help reduce future vehicle retrieval misunderstandings.
- d. Better preparations should occur to decide the best manner to handle inclement weather during future events. At a minimum, concessionaire personnel should use large umbrellas to shelter patrons exiting their vehicle until they are underneath Hall D's concourse and event attendees should be precluded from entering the key storage area.
- e. An appropriately dressed and properly trained individual should be positioned on the west side of Convention Center Drive to answer patron questions.

Concessionaire's Response

Taxis should continue to drop-off and pick-up customers on 19th Street in their designated waiting area. The placement of signs would be especially helpful in letting the people know where they can go for a taxi.

Shuttles, limousines and buses should continue to drop-off and pick-up customers in front of Hall C and do not interfere with valet operations. The courtesy vehicles should be parked somewhere else or their numbers reduced to make more space for the valet ramp.

We understand that in this type of events it is very important to have proper signage as a majority of the guests are tourists. Therefore, we made sure that we had the proper valet signage informing customers where to pick-up and drop-off their vehicles.

We will be prepared in the future for any weather condition (umbrellas). However, we did have a blue tent for the runners, one white tent next to it for drop-off and another in front of Hall D to pick-up guests in case of a rainstorm.

Finally, we think that the Convention Center should provide individuals for future events that can answer patrons' questions.

2. Finding – Concessionaire Personnel

The concessionaire employed more than fifty people to handle the event's valet parking needs. Although properly attired in uniforms and noted acting courteous to customers, the following weaknesses were observed:

- a. The concessionaire did not comply on any of the five event days with the 09/12/07's signed letter agreeing to have thirty-five runners (individuals responsible for parking and retrieving patron's vehicles) present one hour before show times and to remain throughout the show. Physical counts and review of submitted employee Sign-In Sheets showed that the number of runners ranged from a minimum of 18 to a maximum of 33 prior to the show's start. With the exception of the first day, Internal Audit opines that the number of runners below the required amount did not severely hinder valet operations and turnaround times.

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- b. In an effort to comply with Miami Beach City Code Section 18-311 and the 09/12/07 signed letter, the concessionaire provided the names and drivers' license numbers of twelve employees working the event. Yet, none of these employees appeared on the daily Sign-In Sheets used by the concessionaire for payroll during Art Basel Miami Beach 2007.
- c. A majority of the observed runners throughout the event were not wearing name tags. For example, only two of the fourteen runners present at the valet kiosk upon Internal Audit's 12/05/07 arrival had name tags affixed to their Gold Star shirt.
- d. Runners were initially confused about the lot numbers and locations within but the confusion subsided as the event progressed. Runners were also frequently observed entering the lot and pressing the valet vehicles' car alarm to expedite finding.
- e. The valet ramp attendants did not always greet patrons cordially and warmly.
- f. No signs were visible informing customers that the valet parking fee was \$15 but daily testing confirmed that the correct amount was charged and collected.

Recommendation(s)

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

- a. The concessionaire should comply with all previously agreed upon terms and maintain required staffing levels.
- b. Going forward, employee rosters should be complete and submitted to the Parking Department at least seven days prior to the event's commencement. Furthermore, the Parking Department should closer review this information and question why the number of submitted names (12) is less than the required amount (35).
- c. All runners should report to work in proper attire including name tags to facilitate identification by patrons, auditors, etc.
- d. The concessionaire should have better trained their runners prior to the event's commencement. It seems as though they expected this problem as they had brochures readily available depicting the various lot locations.
- e. Valet ramp attendants should be extremely cordial as they are often the patrons' first impression with the event and staff.
- f. Signage should be displayed informing customers of the \$15 daily valet charge.

Concessionaire's Response

We will ensure that for next year's Art Basel event, every attendant will sign in prior to starting work and sign out at the end of the day. Name tags were distributed to all attendants two days prior to the event, but unfortunately most did not wear them on the event's first day. Yet as the days progressed, every attendant was showing up with the proper name tag and uniform.

We gave our runners training before the event along with maps and the different locations. The valet ramp attendants were typically cordial to all the patrons. There were very few occasions when they where not as cordial as usual but still this does not mean that they where not cordial at all. Also, we should keep in mind that most of the times they where approaching a large amount of cars. As it was mentioned they are the patrons' first impression and this impression is important not only for the staff but also for the event. Finally, there were signs all over the ramp line stating the valet fee.

3. Finding – Parking Spaces

The Parking Department with the assistance of SMG, the independent company hired to manage the Convention Center, agreed to make a total of 500 parking spaces accessible to the concessionaire during Art Basel Miami Beach. These spaces were located in the lot behind The Fillmore, the Miami Beach Convention Center's south and north loading docks, the Holocaust Memorial lot and the Miami Beach High School lot and bus ramp. Testing done during the event found the following parking space limitations:

- a. Trucks and containers, as well as Recreation Department and Convention Center workers' personal vehicles blocked parking spaces in the north loading dock and were not removed. As a result, the concessionaire had only about fifty of the one hundred promised spaces available in this area thereby forcing more creative parking. A drawback was the closing of 12/05/07's valet operations twice during the afternoon session for approximately twenty minutes each time due to the lack of available parking spaces.
- b. The concessionaire agreed not to valet park vehicles until after 4:00pm at the Miami Beach High School lots in the 09/12/07 signed agreement. Yet, the concessionaire was observed valet parking vehicles in these lots at 12:30pm on 12/05/07 due to the shortage of available spaces. Upon notification, all vehicles were quickly removed and parked elsewhere.
- c. The Holocaust Memorial lot was primarily reserved for valet parking with up to four spaces kept open for anyone wishing to visit the memorial. Initially, the concessionaire did not adhere and valet parked vehicles in all available spaces. Again, the corresponding vehicles were quickly moved to other parking lots shortly after notification.
- d. The concessionaire parked additional vehicles in the lot directly south of the Convention Center by The Fillmore. These vehicles were parked perpendicular to other properly parked vehicles thereby blocking their exit. Their driver side windows remained down with the keys hidden inside so that runners could move the vehicles when necessary.
- e. A valet parked vehicle was found incorrectly parked in the P-lot (located directly west of the Convention Center) on 12/07/07. This \$15 lot was reserved for those desiring self-parking and was staffed with Standard Parking personnel.
- f. People claiming that were trying to conduct City business argued with concessionaire security about being allowed to park in the authorized valet lots on the south side of the Convention Center during the work week. In addition, someone stole the lot's sign stating "Valet Parking Only" and it was not replaced thereby further confusing vehicle owners.
- g. Despite having concessionaire security at the valet parking lots, parked vehicles still typically contained advertising brochures on their windshield. Several customers receiving their vehicles were subsequently noted throwing these brochures on the ground.

Recommendation(s)

The following recommendations should be implemented as soon as possible:

- a. SMG staff should have made one hundred spaces in the north loading dock available to the concessionaire in accordance with the 09/12/07 signed letter.

- b & c. Despite the parking space limitations, the concessionaire should follow the agreed upon terms and only park vehicles in approved locations.
- d. This practice should be discontinued since it makes the vehicles more susceptible to theft or damage by the weather or passersby.
- e. The Standard Parking attendants staffing the P-lot should have turned the runner away and refused entry. Furthermore, runners should only valet park in previously authorized locations.
- f. Concessionaire security should not argue with the public. Instead, they should notify the Parking Department immediately of anyone who refuses to listen and enters the restricted area. In addition, a new sign should have been prominently displayed to help avoid possible future misunderstandings.
- g. Concessionaire security should halt individuals from placing advertising brochures on vehicles under their care. If these individuals persist, the City's Code Compliance Division should be called immediately to remedy the situation.

Concessionaire's Response

If we are able to get the full one hundred spaces on the North Loading Dock we will reduce the waiting time for the patrons. Definitely, we would not have any vehicles park with the windows down and the keys hidden because they will be very susceptible for theft or damage. The staff knows that every time they might have a situation with any person they must notify a supervisor that they will know how to handle and address these types of situations. Concessionaire security's most important role is to take care of the vehicles, as well as to direct attendants bringing in vehicles to help save time and reduce turnaround times. Therefore, we believe they are unable in most instances to prevent unauthorized individuals from placing advertising brochures on parked vehicles.

4. Finding – VIP Parking

VIP customers are those requesting and willing to pay a premium for quick curbside service. It is an industry accepted practice that is not addressed in either the concession agreement or the 09/12/07 letter. However, the points below list several inherent VIP rules that were not followed by the concessionaire:

- a. Concessionaire staff occasionally solicited luxury vehicle owners to park in their VIP sections.
- b. Concessionaire staff was overheard charging customers \$100 or an additional \$85 more than the actual cost for valet parking.
- c. A red Ferrari parked in the VIP section in front of Hall C on 12/05/07 dangerously jutted out into the valet ramp in an effort to squeeze more vehicles in. Fortunately, drivers were careful and the expensive vehicle was not damaged.

Recommendation(s)

The City should incorporate VIP parking into the next concession agreement to eliminate any future confusion. Meanwhile, the concessionaire should adopt the following recommendations in the interim:

- a. Customers should always initiate the VIP parking conversation and not the concessionaire's employees.
- b. The price of a VIP parking should be \$15 plus whatever the customer decides to pay as a gratuity and should not be set by the valet ramp attendants.

- c. The concessionaire should take greater precautions to ensure that VIP vehicles are safely parked close to Hall D in exchange for the additional monies paid by the patron.

Concessionaire's Response

We usually wait for the customers to initiate the VIP conversation and when it comes to VIP vehicles (Lamborghinis, Roll Royces, Bentleys, Aston Martins, etc.). We take extra precautions to insure that these customer vehicles will be safely parked as well as any other car.

5. Finding – Turnaround Times

The Parking Department set a goal of twenty minute turnaround times during Art Basel Miami Beach 2007. A turnaround time equals the amount of time elapsed after a valet customer submits his ticket to the concessionaire to the time that his/her vehicle is delivered. Internal Audit calculated turnaround times daily at various intervals to provide a representative sample. The table below provides a daily average of the tested turnaround times in minutes by event and the percentage of observations within five minute increments:

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

The highest turnaround times were experienced on 12/05/07 due to such factors as overlapping events and the large volume of vehicles valet parked within a short time period. If you exclude 12/05/07 from the calculations, only 2 out of 275 calculated turnaround times or .73% exceeded twenty minutes.

Recommendation(s)

Although there is still room for improvement, overall turnaround times were better than last year's overcoming the increase in attendance and valet parked vehicles so steps are apparently being taken in the right direction.

Concessionaire's Response

Overall, based in the table above we can see that the highest percentage in turnaround times was between 6 – 10 minutes which is the average we suspected for the amount of manpower we had present. Our goal is to continue to strive to improve the future turnaround times and make the whole operation better each year.

EXIT CONFERENCE

An initial meeting was held to discuss the audit report between Parking Director Saul Frances, Assistant Parking Director Chuck Adams, Financial Analyst III Rocio Rodriguez, Parking Operations Manager Miguel Beingolea, Internal Auditor James Sutter, Senior Auditor Mark Coolidge and Auditor

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Fidel Miranda. Minor revisions were made and the audit report was subsequently sent to Parking Department management for final review and forwarding to Gold Star Inc. management. The concessionaire's management responses were received on 03/17/08 and were 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 event. Findings will be addressed with the parking concessionaire to ensure that corrective action is in place.

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Audit performed by Mark Coolidge and Fidel Miranda

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cc: Robert C. Middaugh Jr., Assistant City Manager
Saul Frances, Director, Parking Department
Jorge Zuluaga, Gold Star, Inc.