





MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

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

DATE: October 25, 2011

AUDIT: Imperial Parking (U.S.), Inc. – Agreement to Provide Cashiers, Attendants and Supervisors - Operational and Compliance Audit and Performance Evaluation 

PERIOD: Contract year starting on August 11, 2009 through August 10, 2010

This report is the result of a regularly scheduled operational and compliance audit of the professional service agreement between Imperial Parking (U.S.), Inc. and the City to provide cashiers, attendants, and supervisors for the City's parking system. The agreement requires an annual evaluation of the performance of the services rendered and a review the profitability of the agreement. This audit encompasses year two of the agreement.

INTRODUCTION

The City of Miami Beach Parking Department is responsible for managing more than 11,500 on-street parking spaces, eight (9) garages, and sixty-four (64) surface parking lots. Surface lots are often attended by cashiers, supervisors, and traffic personnel during special events to improve the incidence of parking violations and minimize any adverse impact on the demand for parking. Oversight for the garages and attended surface lots is provided by the Off-Street Division, and includes responsibility for the administration of the contracted provision of cashiers, attendants, and supervisors to the City's parking system.

On June 25, 2008 the Mayor and Commission, through Resolution No. 2008-26839, approved and authorized the execution of the agreement with Imperial Parking (U.S.), Inc, pursuant to Request for Proposal (RFP) No. 11-07/08, to provide parking cashiers, attendants, and supervisors for the City of Miami Beach parking system. The agreement was executed on July 30, 2008. The term of the agreement is three (3) years, commencing on August 11, 2008 and ending on August 10, 2011, with two (2) one-year renewal options at the City's sole discretion. A provision was added requiring that an annual performance evaluation and the review of the profitability of the agreement for revenue sharing purposes.

At the May 13, 2009 Commission meeting, the Mayor and City Commission authorized the administration to issue a subsequent Request for Proposal (RFP) No. 41-08/09, to provide these services based on concerns regarding performance and cost. At the February 3, 2010 Commission meeting, the Mayor and City Commission rejected all bids under RFP 41-08/09 and authorized the administration to issue a new RFP using the "Cost Plus" and to continue the contract with Imperial Parking but to negotiate an amendment to the contract to change the rates. At its February 9, 2011 meeting, the Mayor and City Commission authorized the Administration to issue a new Request for Proposals (RFP) No. 17-10/11 for Parking Attendants for the City's Parking Garages.

The City Manager presented his recommendation at the May 11, 2011 Commission meeting and the City Mayor and Commission accepted the City Manager's recommendation and

We are committed to providing excellent public service and safety to all who live, work, and play in our vibrant, tropical, historic community.

Internal Audit Report

Imperial Parking (U.S.), Inc. – Agreement to Provide Cashiers, Attendants and Supervisors - Operational and Compliance Audit and Performance Evaluation
October 25, 2011

authorized the administration, through the issuance of Resolution No. 2011-27658 to enter into negotiations with the top ranked firm, Standard Parking which replaced Imperial Parking on August 15, 2011.

Among other duties, Imperial Parking’s employees are responsible for collecting and reconciling revenue generated by the parking facilities on a daily basis, completing and providing to the City all related supporting documentation and reports, as well as providing excellent customer service and guidance and reporting maintenance issues to the Parking Department, etc..

Invoices are submitted by Imperial Parking to the Parking Department based on the hours worked by each employee, in each position classification, and in each parking facility. Contractor hourly billing rates are \$13.88 per hour for parking attendants/cashiers, and \$16.77 per hour for supervisors. These rates consider Contractor's employee wages and overhead. Hours to be worked by employees in each position are determined by the Off-Street Parking Division management on a weekly basis considering the optimal and most efficient level of employees required to operate the parking facilities. Invoiced hours are then compared to hours requested accordingly. Any exceptions, if any, are then communicated to the Contractor for correction prior to processing payment.

The following schedule reflects the total actual payments made to the Contractor, per the City's general ledger, associated with the service agreement as of August 10, 2010:

LOCATION	ACTUAL COSTS	ACTUAL COSTS
	CONTRACT YEAR #1 (08/11/08 - 08/10/09)	CONTRACT YEAR #2 (08/11/09 - 08/10/10)
7TH STREET GARAGE	\$ 379,765	\$ 318,076
ANCHOR GARAGE	\$ 307,047	\$ 260,121
ALL OTHERS (1)	\$ 2,691,019	\$ 1,716,754
GRAND TOTAL	\$ 3,377,831	\$ 2,294,951

(1): "ALL OTHERS" represent four garages, and all City attended lots, as needed for, but not limited to, special events.

OVERALL OPINION

Although the Contractor, Imperial Parking (U.S.), Inc, has complied satisfactorily with provisions stipulated in the service agreement (Provided all employees with proper uniforms, complied with the living wage ordinance, prepared timely billings to the City, performed the daily revenue collection, provided all appropriate supporting records and reports for the daily revenues collected, etc.), results from testing performed to reasonably assure compliance to all provisions of the agreement, stipulated policies and procedures, and to the Contractor's responsibility identified the following areas in need of immediate improvement and/or corrective action:

- Original certificates of insurance were not submitted to the City's Risk Manager for approval and for substantiation of continuity, as required by the Professional Service Agreement.
- Recruitment practices stipulated on the Contractor's proposal and/or required on the Service Agreement were not performed accordingly.
- Corrections and irregularities as a result of time tracking equipment limitations were

Internal Audit Report

Imperial Parking (U.S.), Inc. – Agreement to Provide Cashiers, Attendants and Supervisors -
Operational and Compliance Audit and Performance Evaluation
October 25, 2011

processed without proper approval, initials, name and signature of supervisors from the City and the Service Provider.

- Documents and records to substantiate the Contractor's profitability for the purpose of revenue sharing were not readily available and did not fully support those amounts presented.

Despite the results from our inquiries, Internal Audit identified areas in need of improvement, preventing current service levels to meet the City's expected service levels. The areas identified included the following:

- Inability to provide a daily attendance of at least 90% of the scheduled cashier, attendant, and or supervisor hours at each facility by the Contractor, while corresponding liquidated damages are not being assessed by the Parking Department.
- Procedural departures and customer service improvement opportunities were identified as a result of conducted field visits.

Additional details regarding all of the above mentioned areas in need of improvement and/or corrections have been provided on the Findings, Recommendations, and Management Responses section of this report.

PURPOSE

The purpose of this audit is to review the overall operations and determine compliance with the professional services agreement between the City of Miami Beach and Imperial Parking to provide parking cashiers, attendants, and supervisors for the City's parking system, as well as to evaluate the Contractor's performance in providing such services effectively and efficiently.

SCOPE

1. Ensure compliance to key provisions of the service agreement and the RFP.
2. Verify that sufficient controls exist to reasonably assure the reliability, accuracy, and accountability of all revenues collected.
3. Verify reasonable reliability and accuracy of invoices to the City from the Contractor.
4. Verify that employee files are current and complete.
5. Confirm that policies and procedures are complete, known, and consistently followed by all personnel.
6. Review adequacy and number of personnel used for the daily operations.
7. Evaluate the overall performance of the Contractor throughout the contract year.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

In order to better identify and differentiate findings and recommendations related to the performance of the Contractor from those involving the overall operation and compliance, audit findings have been grouped in two main categories on this report as follows:

- I. Operation, Compliance and Review of Profitability
- II. Performance Evaluation

I. OPERATION, COMPLIANCE AND REVIEW OF PROFITABILITY

1. Finding - *Original certificates of insurance were not submitted to the City's Risk Manager for approval and for substantiation of continuity, as required by the Professional Service Agreement.*

Although Internal Audit was able to confirm that the Contractor did, maintain insurance coverage in full force, as required by the Service Agreement, no original copies of the insurance policy and/or the certificate of insurance were provided to the City's Risk Management Office for verification, approval, and to be filed with the City's Risk Manager Office, as required by Section 4.6 of the Service Agreement. Instead, copies of the Certificate of Insurance were forwarded five months late after renewal to the Parking Department, but neither the contractor, nor the Parking Department forwarded the certificate to the City's Risk Manager for review and approval.

Recommendation(s)

Original certificates of insurance should be provided to the City's Parking Department to be submitted to the City's Risk Manager for approval every time insurance policies are renewed, revised, and/or an insurer is changed. This not only helps to ensure the continuity of coverage, but also compliance with the requirements established in the Service Agreement. In addition, an approved copy, signed and dated by the Risk Manager should be maintained by the Parking Department, as a backup, along with the Service Agreement documents.

City's Response

The City has since received and approved the certificate of insurance as required by the PSA.

Contractor's Response

Original certificates of insurance should have been provided both to the City's Parking Department and to the City's Risk Manager for review and approval. As these insurance policies are renewed, revised, and/or an insurer is changed, both parties noted above will be copied.

2. Finding - *Recruitment practices stipulated on the Contractor's proposal and/or required on the Service Agreement were not performed accordingly.*

Section 2, page 4 of the Professional Service agreement stipulates that the "Contractor will provide for individual honesty tests for its employees during its hiring process, and as may be required by the City from time to time". It further describes that "the Contractor shall provide any and all services, as set forth in the proposal documents". With this in mind, the "Recruitment" section of the Contractor's proposal identifies a series of employment guidelines that were to be applied in order to attain the Contractor's goal of customer service excellence. These employment guidelines included:

- Job Posting
- Outside Recruiting
- Applicant Tracking System
- Interviews
- Testing / Assessment (math and customer service examinations)
- Background and Reference Checks

Internal Audit Report

Imperial Parking (U.S.), Inc. – Agreement to Provide Cashiers, Attendants and Supervisors -
Operational and Compliance Audit and Performance Evaluation
October 25, 2011

- Job Offer
- Record Keeping

In order to verify the application of the aforementioned guidelines, Internal Audit randomly sampled thirty-six (36) Impark employee files for review. All of the employees sampled were hired during our audit period (the second year of the contract). Results from our review showed that none of the new employee files reviewed included copies of any testing (honesty test, math and customer service tests) performed or official results from the same. Additional inquiries with Impark management personnel confirmed that honesty tests, math tests, and customer service tests, as stipulated on the Service Agreement and the Contractor's proposal accordingly, are not being administered to new employees. No additional documentation was observed that would reflect results from training and/or any other form of evaluation done to these employees as required by the Service Agreement. The same was observed during our previous audit to which the contractor responded that:

"As a condition of our taking on this contract, we were required to absorb the majority of the prior operators existing employees. Therefore, initially we did not administer several tests that might exclude a number of new applicants, in order to maximize the number of existing employees that would maintain their employment status. To clarify, we are currently performing background investigation checks on each new hire. The honesty testing the auditor mentions we believe refers to psychological testing of each applicant.

When hiring, customer service skills/tendencies are evaluated during the interview process and then if the individual is hired, again during the classroom training portion of the new hire process. As for mathematical ability (addition and subtraction) this is covered during basic cashier training, which is not charged to the City. Should a new hire show a lack of mathematical aptitude during this training, they are transitioned to a role as a traffic coordinator".

Furthermore, employee information was decentralized making it hard to verify the completeness, sufficiency of documentation, and compliance with guidelines of the Service Agreement. Examples of documents not included in the employee files consist of, CPR certifications, which according to contractor personnel were sometimes kept separately by the Contract Manager. Also background checks were kept separately from the employee files.

Recommendation(s)

The Contractor should implement the administration of all applicable examinations to all new hire employees according to the Service Agreement and the Contractor's Proposal. These examinations should assist in evaluating the ability of the employee to maintain good accountability, customer service, and ethical values while performing his/her duties on the field. Moreover, employee files should be centralized to facilitate the verification of its completeness and compliance to the Service Agreement.

City's Response

Agreed.

Contractor's Response

Our Human Resources Coordinator is in the process of implementing applicable pre-employment examinations, such as a basic math skills test (for cashier candidates). In addition, although a customer service test is being facilitated for every employee, after customer service training has been provided, this will be moved to the pre-employment process to go along with the basic math test. Once those two items are implemented, we will look into introducing the honesty tests.

With respect to the decentralization of employee files, Our Human Resource Coordinator has undergone a process to better centralize the files in our Brickell office and consolidate the paperwork into single employee files.

4. Finding – *Corrections and irregularities as a result of time tracking equipment limitations were processed without proper approval of supervisors from the City and the Service Provider.*

Tests performed on two hundred fifty-nine (259) sampled time sheets from three randomly sampled invoices, confirmed that eighteen (18) out of the two hundred fifty-nine (259) sampled time sheets or 6.95% showed corrections and/or irregularities possibly due to time tracking equipment limitations that were processed without proper approval, initials, name, and signature of a supervisor from Imperial Parking and the City. Most of the corrections observed were related to the 17th Street Garage, which is a facility used as a hub for assigning contractor personnel to multiple attended surface lots.

Last year's audit found similar deficiencies to which the Service Provider responded stating that *"the issue with the limitation on over 100 employees being tracked by the time and attendance system (per facility) is a concern only once a year, during the boat show, at the G5 garage. We are able to appropriately work around this once a year issue"*. However, our observations occurred at different times during the year and not during the boat show event.

Recommendation(s):

Time tracking devices should be upgraded by the contractor to meet the demands and nature of the day to day operations in order to accommodate more than one hundred (100) employees. Also, it should be able to record hours worked involving different payroll periods without incidents. Corrections or irregularities noted on the time sheets should be researched and signed by both, a Service Provider Supervisor and a City Supervisor prior to approval for payment.

City's Response

Agreed. The Contractor has assigned their employees to various facilities for time recordation purposes to ensure that no one facility exceeds the time clock capacity of one hundred (100) employees.

Contractor's Response

The number of incidences that involve the existing time and attendance system not accommodating over 100 employees simultaneously is once time per year during the annual boat show. However the cost to upgrade to a more robust system is not, and this facet, as well as the ability record varying payroll periods, should be a consideration in an extension to the contract or a future contract. We are currently able to appropriately work around this one time issue.

Internal Audit Observation

Effective with the new contractor, these items have been sufficiently addressed.

5. Finding - *Documents and records to substantiate the Contractor's profitability were not available and did not fully support amounts previously presented.*

Section 4.9.3 of the Service Agreement stipulates that "Contractor and City hereby agree and acknowledge to share equally in any excess revenues over and above Contractor's "Base Estimated Profit" over the initial three (3) year term of this agreement". It further mentions that "at the end of each contract year during the term of this Agreement, the City and Contractor agree to meet to review the profitability of the contract, which shall include the City's review of all necessary documents and records to substantiate such profitability".

During our previous audit of the first contract year, the contractor was able to reasonably substantiate 87% (as a percentage of total expenses for the contract year) of the incurred expenses during the first contract year. However, 13% (as a percentage of total expenses for the contract year) of the incurred expenses were not sufficiently substantiated to reasonably assess their accuracy and reliability. As per the contractor, one important reason was system limitations that although allow to maintain full accountability by regions (Organizations under contract in the Miami-Dade County vicinities), it does not maintain a separate sub-ledger for locations or "lots", which is the term used by the contractor to identify different contracts in a region.

Similarly, Internal Audit requested a copy of a Balance Sheet, Trial Balance, Income Statement (P & L), and detailed General Ledger reflecting transactions taking place during our audit period (second contract year) in order to verify the Service Provider's profitability, in accordance to the Request for Proposal.

On October 8, 2010, subsequent to our follow up, internal audit received a summary of operating revenue and expenses for the second contract year. After two additional requests documentation was made available on December 14, 2010 to Internal Audit for review. Based on the information and documents initially provided by the Contractor, the net operating income during the second contract year was \$48,249 before vehicle depreciation.

Results from our review showed that although the contractor was able to reasonably substantiate the same percentage as for the previous contract year of 87% (as a percentage of total expenses for the contract year) of the incurred expenses during the second contract year, 13% (as a percentage of total expenses for the contract year) of the incurred expenses were not sufficiently substantiated to reasonably assess their accuracy and reliability. As previously stated in last year's audit by the Contractor, system limitations exist that although allow to maintain full accountability by regions (Organizations under contract in the Miami-Dade County vicinities), it does not maintain a separate sub-ledger for locations or "lots", which is the term used by the contractor to identify different contracts in a region.

Other reasonable expenses included in the 13% of expenses not sufficiently substantiated may have been incurred as of the City's operations (Example: Unemployment Taxes). However, no documentation was provided to substantiate any allocations or quantify them.

Not sufficiently substantiating the incurred expenses represents a departure from

compliance with section 4.9.3 of the agreement. Furthermore, it prevented Internal Audit from reasonably verifying whether or not the profit threshold, as stipulated on the agreement, was exceeded.

Recommendation(s)

As recommended in our previous audit, the Contractor should create a sub-ledger and or similar detailed reports that would identify those transactions generated as a result from operations at the City of Miami Beach municipal parking facilities only. In addition, they should maintain appropriate schedules and corresponding support that would detail any prorated and/or allocated portion of expenses to the City, as well as corresponding calculations. This documentation should be presented to the City so that it could be verified upon request. Lastly, the contractor should fully document all incurred expenses during the contract year in order to comply with section 4.9.3 of the agreement.

City's Response

Agreed.

Contractor's Response

As outlined during the last audit, our existing GL does not provide for a sub-ledger by location as requested. Detail concerning all purchase of supplies procured for and used at the City of Miami Beaches parking operations has been provided. A detail of expenses, which allows for the City to accurately verify actual net profit figures for the operation, has been submitted.

Internal Audit Observation

While the contractor contends that modification of their accounting system is not plausible, we feel that their records should at least contain sufficient documentation, whether manual or automated, to substantiate any allocations used. In addition, we disagree with the contractor's response that records submitted were sufficient to accurately verify net profit amounts. Some allocated costs (Example: vehicle insurance, general liability insurance, unemployment taxes, "employee burden" wages, among the most significant ones) were not fully and/or sufficiently substantiated by the contractor.

II. PERFORMANCE EVALUATION

Although the Parking Department is responsible for completing an annual performance evaluation of Imperial Parking's services, the following areas were identified during our audit in need of corrective action regarding the performance of the services provided.

6. Finding – *Inability to provide a daily attendance of at least 90% of the scheduled cashier, attendant, and or supervisor hours at each facility by the Contractor.*

Section II, D of Request for Proposal (RFP) No. 11-07/08 establishes performance standards to be considered for the evaluation of the services carried out by the Contractor. Paragraph one (1) of this section mentions that *"failure to maintain a daily attendance record of 90% of the scheduled cashiers, attendants, and/or supervisors at each respective facility shall be deemed as non-performance on the part of the successful Proposer, and shall be subject to a penalty consistent with the dollar value of the duration of time that the employee(s) were absent or \$100.00, whichever is greater, as liquidated damages. The value shall be based on the hourly rate assessed to the City. This formula*

is based on reduced service levels that the City must absorb by compensating with the reallocation of labor from other duties and/or facilities”.

As a result of prior year's audit, a data filter was incorporated into the system software used by the Off-Street Division of the Parking Department to track and identify instances where hours provided by the Service Provider employees were less than 90% of those requested. However, instead of identifying such circumstances by type of position (Ex: Supervisor, Attendant, etc.) and by facility, it identifies them by facility overall without position distinction. Consequently, liquidated damages, as described on the Request For Proposal (RFP), are difficult to calculate considering that no distinction is made among positions with different hourly rates. Furthermore, this method deviates from the requirements of the Request For Proposal (RFP), as described above, requiring at least 90% of scheduled cashiers, attendants, and/or supervisors and is less rigorous to the Service provider.

Along with the shortcomings in the method used to identify circumstances where hours provided by employees of the Service Provider were less than 90% of those requested, the Off-Street division was able to identify 175 occurrences during our audit period (second contract year) using the current, less rigorous method. Despite the occurrences identified, no liquidated damages were calculated and/or assessed to the Service Provider during the contract year in contradiction to the Request For Proposal Requirements.

Recommendation(s)

The Off-Street Division of the Parking Department should make appropriate corrections to the current method used to identify instances where less than 90% of requested position hours are provided. A distinction between positions should be made, as required by the Request For Proposal (RFP), which in turns would make the calculation of liquidated damages easier for the Off-Street Division.

In addition, once an occurrence where less than 90% of requested coverage is identified, corresponding liquidated damages should be calculated and assessed to the Service Provider upon discovery. At the same time, appropriate action should be taken by the Service Provider to prevent providing less than requested hours in the future.

City's Response

The Off-Street Payroll Hours Reconciliation Software has been upgraded to provide an exception report noting the 90% variance. Additionally, this is also tracked and included in their annual evaluation.

Contractor's Response

After further review of the Garage Labor Contract Time Management system, otherwise known as GLTM, it states Impark's global average to be 105.37% for the audited period which indicates Impark has provided 5.37% more hours than originally scheduled due to filling last minute requests for additional shifts. Furthermore, upon closer inspection of the occurrences that resulted in a less than 90% score for daily attendance, we found occurrences where CMB has requested we send our staff home. For example, on Jan 10, 2010 at the G1 garage, according to the GLTM we filled 89.46% of the daily hours, however it should be noted that CMB requested the staff be sent home due to poor weather and no business. In speaking with our operations team, the sending home of staff is a frequent cost savings measure the CMB utilizes to keep costs in line, however it is not

accurately reflected in the GLTM nor when calculating our daily attendance score.

In summary, as mentioned last year there is no benefit to the contractor under this billed labor rate structure to not staff all available hours/schedules, as the contractor's profitability is embedded in the hourly rate charged to the City. If such hours are not worked, then those potential billed hours and the profitability derived to be from them is also not collected by the contractor. Therefore we feel this finding requires further review before a final grade be assessed against the contractor.

Internal Audit Observation

Although Internal Audit understand that it is in the best financial interest for the Contractor to staff all requested hours by the City's Parking Department, the referenced contract provision was incorporated to ensure that an optimal service level is provided at all times and at all City Parking Facilities.

7. Finding - *Procedural departures and customer service improvement opportunities were identified as a result of conducted field visits.*

Results from site visits performed on January 31st, February 12th and 15th, March 28th, and September 11th of 2010 to different parking facilities in the City showed that Contractor employees complied with most stipulated requirements and procedures including the proper use of uniforms, proper documentation of vehicle license plate number on tickets, and proper completion of required reports.

However, some procedural departures and areas for customer service improvements were noted and identified as follows:

- Violations observed on the surface lot were not effectively and timely communicated to the City's On-Street Parking Enforcement Division for corrective action. This was observed on all five (5) visits performed to surface lots.
- Surface lot capacity was not consistently and periodically monitored resulting in tickets sold over capacity. This was observed in one (1) out of the five (5) visits performed to surface lots.
- A ticket book was provided to the seller without requiring the seller's signature on the ticket book distribution log departing from established policies and procedures. This was observed on one (1) out of the five (5) visits performed.
- Insufficient strategic planning, analysis, and contingency options were exercised and considered to ensure proper controls on vehicular traffic flow preventing traffic jams etc. This was observed in one (1) out of five (5) visits performed to surface lots.
- Customers were not greeted and informed, upon arrival, about the importance of maintaining the purchased ticket visible on the vehicle's dashboard. This was observed on all of the five (5) visits performed to surface lots.
- Customers were not greeted on first contact. This was observed on all of the five visits performed to parking garages.

Recommendation(s)

Exceptional customer service is one of the City's main objectives and priorities. Accordingly, proper training and supervision should be exercised by the Contractor in order to ensure a consistent application of the same. Also, the contractor should ensure,

Internal Audit Report
Imperial Parking (U.S.), Inc. – Agreement to Provide Cashiers, Attendants and Supervisors -
Operational and Compliance Audit and Performance Evaluation
October 25, 2011

and verify from time to time the overall knowledge of policies, procedures, and regulations of the City.

City's Response

Agreed.

Contractor's Response

Understanding that the City of Miami Beach has as one of its main priorities community/customer service, Impark has held meetings to re-emphasize such through both our on-site HR Coordinator and our Sr. Management staff serving the City of Miami Beach operations.

EXIT CONFERENCE

Findings were forwarded to the City's Parking Department and the Contractor Offices to solicit further discussion and management responses. Management responses were received thereafter.

Audit performed by Fidel Miranda, Auditor

F:\OBPI\AUD\INTERNAL AUDIT FILES\DOC09-10\REPORTS - FINAL\Imperial Parking Contract for Cashiers (2010).docx

cc: Jorge Gomez, Assistant City Manager
Saul Frances, Parking Department Director
Charles Adams, Assistant Parking Director
Christopher Johnson, Senior Vice President Imperial Parking