



# 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: September 7, 2010  
AUDIT: Parking Impact Fees  
PERIOD: October 1, 2007 to September 30, 2009

This audit report is the result of a regularly scheduled audit of the Parking Impact Fees collected and administered by the City.

### INTRODUCTION

The Parking Impact Fee program was created in 1989 as part of the comprehensive zoning ordinance enacted at that time. The program was in response to a variety of problems associated with the previous practice of granting parking variances or required parking decals to be purchased in lieu of providing parking. The program requires that the property owner pays the City the Parking Impact Fee in lieu of providing some or all required parking spaces for a particular use. Impact Fee revenues are to be used to help defray the costs of building additional parking spaces in the City, within the districts in which the funds were collected. Parking Impact Fees increased throughout the years with a fee of \$5,000 in 1989 \$10,000 in 1993, \$15,000 in 1998 per parking space.

Additional changes to the Parking Impact ordinance were as follows:

- City Ordinance No. 2006-3545 subsequently amended Section 130 "Off-Street Parking", Article V "Parking Impact Fee Program," Section 130-132 Fee Calculation by raising the parking Impact fee as specified in section 130-132(d) of the City Code.
- Section 130-132 (a) - Fee calculation the Parking Impact Fee for new construction shall be satisfied by a one-time impact fee payment at the time of issuance of a building permit of \$35,000 per parking spaces.
- Section 130-32(b) - Existing structures and outdoor cafes when alteration or rehabilitation for existing buildings and outdoor cafes, for which the required number of parking spaces increases as a result of a change in use or renovation, can be paid either with a one-time, lump sum, payment, or annually, for as long as the use is in existence, at 3% of the total amount required, at the option of the participant.
- The first annual payment is due when the Building Permit is issued, or if no permit is required, at the time of issuance of a Business Tax Receipt or Certificate of Use. The amount of the payment may vary from year to year in accordance with subsection (d), the second payment and all ensuing annual payments, are due on October 1<sup>st</sup>.

The Parking Impact Fee Program is administered by the Planning Department, whose staff determines the number of parking spaces required based on use, assesses and bills Parking Impact Fees, and maintains related records and files.

There are currently a total of three districts with twenty five revenues accounts and approximately 85 yearly participants in the Parking Impact Fee Program. As of September 30, 2009 gross revenues from the inception of the program total \$24,255,736.55, while expenditures from inception to total \$14,618,841.13, bringing the net amount as of September 30, 2009 to be \$7,166,275.98, this includes outstanding encumbrance and appropriations of \$2,470,619.44 which includes two garages approved by the City Commission.

City Ordinance 2010-3676 subsequently amended the City Code "Off Street Parking" Article V, "Parking Impact Fee Program" by expanding the scope of projects to be funded by the program and by making minor changes in language to reflect that the program is a Fee in Lieu of providing parking. Fees collected prior to the effective date of this ordinance shall be divided into three districts, North, Middle and South specifically established to provide parking and related improvement in the vicinity, within the districts. Funds generated after the effective date of this ordinance shall be divided into the three districts and specifically established to provide parking, transportation and mobility related improvements and programs in the vicinity within the districts. Expenditures from these funds shall require City Commission Approval programs.

## **PURPOSE**

The purpose of this audit is to determine whether events, transactions, adjustments, and processing procedures are established, authorized, accounted for, economically and efficiently processed, accurately and promptly recorded, reported, and followed up in accordance with the various ordinances and with departmental policies and procedures.

## **OVERALL OPINION**

Our review of Planning Department and Finance Department records revealed that Parking Impact Fee billings, pertaining to the one-time fee, collections and expenditures in general were adequately documented, correctly computed, and properly assessed in compliance with the City Code and departmental policies and procedures. However compliance to other areas such as billings for annual accounts and annual evaluations are lacking. Improvement is needed in the following areas:

- The Planning Department has not been billing the annual accounts on a yearly basis; the last billing was done for fiscal year 2003/4.
- Planning Department has not been conducting and documenting annual evaluations of the average cost of land acquisition and construction of one parking space, as required by the City Code, Section 130-132(d.)
- Interest and administrative charges on late yearly Parking Impact Fee payments are not being consistently assessed and collected by the Finance Department. This is required by Section 130-133 (d) of the City Code.
- Sufficient documentation is not present to support the termination of participation for those yearly payers who are no longer in the Parking Impact Fee program.
- The records pertaining to the Parking Impact Fee program are not maintained in a computerized system; there is only a manual log of both one time and annual payments, an excel spreadsheet that is not being kept up to date due to the lack of staff, in addition they also keep individual file folders for each participant.

- Planning Department's policies and procedures do not reflect the correct percentage that is currently used to calculate the annual fee, nor does the City Code reflect the correct annual billing date.

## SCOPE

1. Confirm that the Planning Department has established operating policies and procedures for the proper administration and processing of Parking Impact Fees.
2. Confirm that Parking Impact Fees billed and collected were adequately documented, correctly computed, and properly assessed according to Section 130-132 of the Miami Beach City Code.
3. Confirm that late payments were properly and timely followed up and assessed interest charges and administrative fees, and that failure to pay resulted in termination from the program, and possible fines of up to \$250 per day, and the imposition of liens, in compliance with City Code Section 130-133.
4. Confirm that all Parking Impact Fee revenues were timely received, deposited and correctly recorded by the Finance Department.
5. Confirm that all expenditures from Parking Impact Fee accounts were made for authorized purposes, were pre-approved by the City Commission, and were correctly recorded in the general ledger.
6. Confirm that the Planning Department conducted the required annual evaluation of the City's average cost for land acquisition and construction of one parking space.

## FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: Fee Billings and Collection  
Section 130-133 of the City Code indicates that existing structures and annual payments shall be paid by June 1 as long as the use exists. Internal Audit randomly selected 25 Parking Impact Fee files from a total of 85 yearly accounts representing 29% of the population. In reviewing these files it was noticed that the last billing prepared by the Planning Department was done in October 2003 for fiscal year 2003/04. Out of the 25 files, it was determine that 20 accounts totaling \$120,751 had not been billed for fiscal year 2009/10. In addition, there are additional fees due for the periods not billed since the last billing. Unfortunately some of these businesses may no longer be in business making it difficult to collect. In addition City Code Section 130-133(b) states that the due date for annual Parking Impact Fee payments is June 1, however per the Planning Department it is due by October 1<sup>st</sup>, for consistency with the Business Tax Receipt billing.

### Recommendation

The Planning Department needs to revise the City Code in regards to the correct due date for the annual Parking Impact Fee payments.

The Finance Department and the Planning Department should work together on creating a system that when a Business Tax Receipt is billed, the Parking Impact fee is either billed

together or on a separate invoice, however sent in the same envelope, since both items are due at the same time. This would ensure all Parking Impact Fee accounts to be invoiced in a timely manner.

Going forward, Planning should have a person in charge of the annual billing in order for billings to be sent out in a timely manner. In addition it is recommend that the individual in charge of billing the invoices goes back and invoices all the business that are still operating to the last payment made on file, this should be done for all annual accounts as soon as possible.

Management Response

An Ordinance to amend Section 130-133 is being prepared to be presented to the City Commission for approval during the next fiscal year, to take place before the October due date.

The Finance Department and the Planning Department have been working together to implement appropriate procedures for the yearly billing, including computerization and automation of many task that were previously being done manually. Yearly assistance from Finance personnel, familiar with accounting methods and billing practices, will still be required to ensure timeliness and accuracy of Parking Impact Fee billing.

As of August 9, 2010 the Parking Impact Fees for FY 2009-2010 have been billed. In the future it will be billed at the same time as the Business Tax Receipts.

2. Finding *The Planning Department has not been conducting and documenting annual evaluations of the average cost of providing one parking space*  
According to the City code Section 130-132(d) "the amount determined to be the city's total average cost for land acquisition and construction of one parking space shall be evaluated yearly by the planning and zoning director based upon Consumer Price Index (CPI). If determined necessary, the fee structure shall be amended in accordance with Chapter 118, Article III, changes and amendments of these land development regulation. This same finding was encounter in the prior audit in 2003.

Recommendation(s)

The Planning Department should amend the City Code to reflect the time frame in which the evaluations should be performed once the Revenue Study is finished.

Management Response:

The appropriate evaluations have been informally conducted by monitoring the CPI. The fees were raised across the board in 2006 from \$15,000 to \$35,000 per space; the Planning Department Director has not seen a significant enough change in the CPI to warrant a fee amendment. However, as mentioned above, the fee will be re-analyzed as part of the upcoming Ordinance amending and correcting Chapter 130.

3. Finding: *Interest and administrative charge on late yearly Parking Impact Fee payments not being assessed and collected.*  
Section 130-133(d) of the City Code late payments indicated that interest shall accrue on unpaid funds due to the City at the maximum rate permitted by law. In addition a two percent fee of the total due to cover the City collection efforts. No interest or late charges were assessed or collect, on the invoices that were billed in 2003.

Recommendation(s):

The Planning Department together with the Finance Department should ensure that proper interest charges are assessed and collected from all parking Impact fees accounts that have not paid since 2003. In addition, a fee in the amount of two percent of the total due should be imposed in order to cover the City's costs in administering the collection procedures. (Section 130-133(d) of the City Code).

Management Response:

The Planning Department has already worked with Finance to bill FY 2009-2010 and together we are preparing to bill FY 2010-2011 shortly. Any other amounts, including amounts due from accounts billed that have not been paid and amounts that have never been billed, will be considered separately. Planning is currently aiding Finance in reintroducing into the EDEN system the invoices that were billed under the previous software which were not rolled into current accounts, and all appropriate late fees will be assessed.

4. Finding: *Lack of documentation to support closed cases.*

It was noted that the yearly participant whose cases have been closed were not properly marked as closed. None of the three files examined had the word "Closed" in the file. The only way to determined that they were closed was because they had paid the one time fee instead of the annual fee. This finding was also encounter in the last audit.

Internal audit also encounter an account that indicated "Void" in the Parking Impact Fee account per the previous Planning Department Director that in reality, paid the necessary Parking Impact fees.

Recommendation(s)

All closed file should be marked closed and the signature of the Planning Director or designee should be in the file indicating that it was properly collected and the file has been closed. In addition the monthly reconciling needs to take place to ensure that accounts are correctly recorded, in the City's General Ledger and in the Planning Impact Fee Log.

Management Response

New procedures are being implemented to ensure accuracy of all accounts, including a file by file reassessment of all fees, checking for errors, as well as continuity of the use, continuity of the parking requirement, and new or continued operators. However, the Planning Department is not equipped to handle complex account follow-up and would require Finance personnel help when it comes to collections, account reconciliations and other bookkeeping functions

5. Finding: *The records pertaining to the Parking Impact Fee is not kept in a computerized system*

The Parking Impact Fee records are maintained in a manual log of payments and in individual file folders for each participant. The log contains both one time fee payments and annual accounts. This can be time consuming to be able to extract the information on a yearly basis for the annual accounts that need to be billed by October 1. It was noted during the audit that an excel spreadsheet has been started to separate annual accounts from one time fee accounts, however this log is not up to date and it is still a work in progress.

Recommendation

The Planning Department should continue with this process of separating the accounts and

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in addition also consider having Information Technology Department create a database that once the participant becomes an annual account it alerts the Planning Department employee, on an annual basis that the accounts need to be invoiced. It is suggested that the Planning Department get temporary help to bring the accounts up to date in billing and recording in the excel spreadsheet.

Management response

In the short term, the Planning Department is in the process of working with Finance to upload all Parking Impact Fee data to the EDEN system. The Department is also in the process of acquiring Document Management Technology, which will allow all our files to be kept in digital form and to be accessible via the web. Ultimately, the new Permits Plus replacement system and the Document Management System will replace all our current Excel spreadsheets and other paper logs, and enable a greater level of automated billing and coordination with the Finance Department.

6. Finding: Policies and Procedure, and the City Code need to be updated.  
The Planning Department's Policies and Procedure have not been updated to reflect the correct amounts charged for the Parking Impact Fees. City Code Section 130-33(b) states that the due date for annual Parking Impact Fee payments is June 1st, when in actuality the Planning Department's Policies and Procedure indicate October 1st.

Recommendation

The Planning Department's Policies and Procedures as well as the City Code need to be updated to reflect the correct yearly fee percentage and the correct due date for annual Impact Fee Payments.

Management response

As mentioned above, an ordinance amendment will be prepared to correct the incorrect or outdated language in the Code. Planning will also examine its policies and procedures manuals to reflect current practices.

**EXIT CONFERENCE**

An exit meeting was held on August 3, 2010 to discuss the audit report and to solicit management responses noted above. Participants included Richard Lorber, Acting Planning Director, Susana Alonso Senior Planner, Georgie Eckert, Assistant Finance Director, and Laura Franco-Rubines, Assistant Internal Auditor. Management responses were received thereafter and incorporated in the report. All were in agreement with the contents of this report.

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(Audit performed by Laura Franco-Rubines, Assistant Internal Auditor)

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cc: Jorge Gomez, Assistant City Manager  
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