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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: February 5, 2010
 AUDIT: Parking Meter Collection Agreement – Standard Parking
 PERIOD: October 1st, 2006 through March 31st, 2009

This report is the result of a compliance audit performed to the parking meter collection operation of the Parking Department and the Collection Service Provider, Standard Parking Corporation, in accordance to our Audit Plan.

INTRODUCTION

The Parking Department has historically contracted with independent firms its meter collections services for the City's Parking System. On June 27, 2001, the Mayor and City Commission authorized the execution of an agreement for parking meter collection services with Standard Parking, an independent Collection Service Provider. The agreement then expired on September 28, 2006, with no further renewal options. Considering the City's need for meter collection, the City Commission authorized the issuance of a Request for Proposals (RFP) Number 17-05/06 on March 8, 2006. After a review of the submitted RFPs by an appointed selection committee, the City Commission accepted the recommendation on July 12th, 2006; authorizing the administration to enter into negotiations with the top-ranked firm, Standard Parking Corporation per resolution No. 2006-26256.

The new agreement was to remain in effect for a period of three (3) years, commencing on a day specified on the Service Agreement (Contract), as a result of negotiations. The City has the option to renew the agreement at its sole discretion for up to two (2) additional one (1) year terms, on a year-to-year basis. An agreement was never finalized; therefore the terms were set from the resolution date resulting in the expiration date of July 12, 2009. On June 3, 2009 The Commission through resolution No 2009-27101, extended the initial term on a month to month basis until January 12, 2010 pending either negotiating more favorable terms with Standard for a one-year renewal option or the issuance of a Request for Proposals.

As of the end of June 2009, the City had 5,172 single meters and 351 master meters in operational condition. Amounts invoiced to the City by the Collection Service Provider, as a result of the daily collections performed are as follows:

Year	FY 2007	FY 2008	FY 2009	Grand Total
Invoiced Amount	\$259,862.20	\$238,348.60	\$ 96,613.40(1)	\$594,824.20

(1): Invoiced amount represent five (6) months (October 2008 – March 2009)

OVERALL OPINION

During the course of our audit, we were able to confirm that daily meter collections performed by Standard Parking Corporation, are completed without major interruptions or delays. In addition, billings to the City, as a result of the meter collections have been timely and in agreement to meter collection

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counts provided by the City's Parking Department. Furthermore, costs to the City have been contained not to exceed \$300,000 per year, as intended and reflected on the Commission Item Summary of Resolution No. 2006-26256, passed and adopted on July 12th, 2006. However, results from our testing identified that the RFP and the Service Provider's Proposal documents were utilized to manage the service in lieu of a professional services agreement. This resulted in less than favorable conditions to achieve full compliance of the stipulated requirements. Areas identified in need of improvement included the following:

1. A professional service agreement should be in place with the RFP and Service Provider's Proposal documents included as provision and attachment
2. The City paid the collection service provider for meters attempted for a collection, which was not specified in the City's letter of confirmation of rates to be charged.
3. Insufficient reliability and accuracy of data collected existed during the parking meter platform transition (upgrade) period which is used to retrieve meter data during the collection process, and for the collection scheduling.
4. Cost for certain elements of damaged equipment has not been charged to the Collection Service Provider.
5. Collection vehicles were not equipped following all the specifications required by the Request for Proposal (RFP).
6. No documentation was found to evidence the submittal of a \$500,000 performance bond to the City by the Collection Service Provider as required by the RFP.
7. Elements of the Standard Operating Policies and Procedures established by the Parking Department for the meter collection process were not consistently followed by the collectors.
8. Collectors did not always wear uniforms or identification tags, as required by the Request for Proposal (RFP).
9. The number of collectors employed by the Collection Service Provider was less than the number proposed on the Collection Service Provider's response to the Request for Proposal (RFP).
10. Procedures to ensure compliance with insurance requirements by the Collection Service Provider were not followed, while insufficient information was obtained during our audit to ensure compliance with all insurance requirements in full force throughout the term of the agreement.

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

PURPOSE

The purpose of this audit is to determine whether the Collection Service Provider complied with key terms and provisions of the agreement and listed in the Request For Proposal Number 17-05/06, as well as with standard operating procedures established by the City's Parking Department.

SCOPE

1. Confirm compliance with key agreement / RFP provisions.
2. Verify reliability and accuracy of Collection Service Provider invoices.
3. Verify and evaluate controls and review procedures for vendor invoices.
4. Review and compare budgeted amounts with actual amounts invoiced to the City for the meter collection operation.

PROCESS DESCRIPTION

The City of Miami Beach presently uses a sealed parking meter collection system that prevents the collectors direct contact with monies collected. Collections should be completed following general Standard Operating Procedures established by the department for both, single meter and multi-space pay stations.

On a daily basis (Monday through Friday), different collection zones are distributed by the Coin Room to the collectors for the daily collection. All necessary equipment, including coin collection canisters, hand held devices, keys, etcetera, for the collection are also distributed. Soon after, collectors leave to the assigned collection areas and conduct the collection.

For single meters, the collector performs the collection by unlocking the parking meter vault door utilizing both, a key and access card for the electronic locking system. The Parking department is almost finished (estimated 90% completion) with implementing a new system, which only requires a programmable key in order to unlock the single meter's vault. Once the vault is open, a sealed meter coin can is removed from the meter vault area and inserted into a sealed cylindrical collection device at the top of a sealed collection canister. The sealed cylindrical collection device then unlocks the meter coin can and the contents fall into the sealed collection canister. Once the content of the meter coin can is emptied, it is returned to the corresponding parking meter and the meter vault door is locked. At that time, the collector is required to retrieve parking meter revenue data using a hand held device provided by the City's Parking Department. This process is repeated at all single parking meters scheduled for collection. Once all single parking meters scheduled for collections are completed, the sealed collection canisters are returned to the Parking Department's Coin Room for the sorting, counting, bagging, and deposit of the collected revenue. All provided equipment, keys, etcetera are also returned and inspected for any damages.

Unlike single meters, multi-space pay stations (Master Meters) accept payments with credit cards, coins and currency bills. Currently, the City's parking system uses two different models of multi-space pay stations, the Stradas and the DGs. To complete a collection of a multi-space pay station the collector must unlock the bill hopper compartment door on the pay station and swap the used and sealed bill hopper being collected for an empty un-used and also sealed one. This part of the process is consistent under both models; although the bill hoppers differ in size and operational mechanisms. For coin collection from a DG multi-space pay station model the collector then engages an empty sealed coin collection bucket onto the pay station and releases all coins into the sealed empty coin collection bucket. If collecting a Strada multi-space pay station model, then the collector swaps the used coin bucket on the machine with an empty one. Since all multi-space pay stations transmit credit card transactions wireless to the parking department, collectors are no longer required to insert a card apparatus into the pay station to retrieve credit and smart card transactions. Therefore they are just required to retrieve a printed tape generated by the pay station and ensure all pay station compartment doors are closed. Once more, the process is then repeated for all multi-space pay stations scheduled for collection. Finally when all multi-spaced pay stations scheduled for collection have been collected,

all sealed coin buckets and bill hoppers are returned to the Parking Department's Coin Room, along with the pay station print-out for sorting, counting, bagging, and deposit of the collected revenue.

Concurrent with the collection of money, data is collected by the hand held computers regarding the number of meters collected and their corresponding revenues. The data is later compared to the daily reports generated by the collectors with respect to meters attempted for collection. This reconciliation is performed by personnel from the City's Parking Department. Once the documentation and the information from the hand held computers is downloaded to the City's computer system, a final report showing all the meters collected is sent to the Collection Service Provider in order to review it and prepare an invoice for the applicable charges to be paid by the City, based on the agreed upon rates. Once the invoice is received by the Parking Department, a second review is performed to ensure that no changes were made by the Collection Service Provider and is then entered into the City's financial system to process payment with the proper supervisory approvals. Any discrepancies between the original documents generated by the Parking Department with respect to the number of meters collected, or attempted is resolved prior to entering the invoice into the City's Financial System.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

1. Finding – *RFP and Service Providers Proposal Documents were used in lieu of a Professional Service Agreement*

On July 12th, 2006, the Mayor and City Commission accepted the recommendation of the City Manager and the Evaluation Committee pertaining to the ranking of firms, pursuant to Request for Proposal (RFP) No. 17-05/06, for parking meter collection services. The acceptance, done through Resolution No. 2006-26256, authorized the administration to enter into negotiations with the top-ranked firm, Standard Parking, and further authorized the Mayor and City Clerk to execute an agreement upon successful negotiations.

While resolution No 2006-26256 did not specify that the agreement be brought back to commission after negotiations, Section V, 9 (Evaluation/Selection Process) of Request for Proposal No. 17/06 stipulates that as part of the procedures for proposal evaluation and selection of the proposed contract, results from negotiations (the contract) should be presented to the Mayor and Commission for approval, modification and approval, or rejection.

Historically, the User Department (Parking Department) utilized the RFP and Service Providers Proposal Documents to manage the service and no written agreement for this service was in place. The User Department as did Internal Audit relied on minimum requirements stipulated in these two documents to conduct our audit.

The User Department is responsible to follow through in preparing the agreement. The City Clerk's Office tracks open Commission items by preparing a report titled "City of Miami Beach Incomplete Resolutions" covering a list of open items, resolutions, contracts, and etcetera. This report is forwarded to the department managers responsible for completing and closing the item(s). A report, generated on March 5, 2009 showed Resolution No. 2006-26256 pending the submittal of an agreement.

More over, purchase orders to pay for the Collection Service Provider's needed services were approved by the Procurement Division after establishing that the purchase authority existed based upon the City Commission Resolution in absence of an executed agreement. There was no additional follow up to assure that the Service Agreement was executed.

Recommendation(s)

The use of a professional service agreement is a best practice that details the agreed upon terms, and any new or amended provisions, as a result of administration negotiations with the Collection Service Provider. It is recommended that the Parking Department complete this written agreement. In addition, when approving amounts and requisitions for purchase orders from any department, the Procurement Division should have the copy of the executed agreement or documentation substantiating that a purchase authority exist for their files. Section V, 9. Evaluation Selection Process of RFP 17-05/06 could be amended to state that results of contract negotiations may be presented to the Mayor and Commission, if directed to do so.

Management's Response

The User Department (Parking) agrees that a professional service agreement (PSA) is a best practice and the Department will proceed to develop a PSA as a result of the current solicitation for parking meter collection services. The RFP; Collection Service Provider's response to the RFP; and the minimum requirements stipulated in these two documents have been the instruments used to manage compliance. The Procurement Division concurs that an agreement should be executed as standard practice and will request a copy of an agreement or verify that one exists prior to the issuance of a Purchase Order.

2. Finding - Rates charged for meter collections

Collection rates to be paid by the City and stipulated on the Presentation Letter of the Collection Service Provider's proposal, used by the Evaluation Committee in the service provider selection process, reflected a single space collection rate per meter of \$0.65, and \$6.50 for multi space (per meter). In addition, the "Cost Proposal" section of the Collection Service Provider's same proposal reflected the same rates to be charged to the City, but added a provision for the applicability of the same rates to "attempts for collection" of the corresponding meter type. This means that a rate of \$0.65 per collection or attempt would be billed to the City for single meters, per meter, and \$6.50 would be charged to the City for collections or attempts to collect, for multi space meters (per meter). The City currently pays the Collection Service Provider a rate of \$0.65 per single meter and \$6.50 per multi space meter for each meter collected and/or attempted to collect.

Furthermore, a commission memorandum dated July 12, 2006 informed the Mayor and City Commission that rates charged by the same Collection Service Provider under the preceding contract were 32% lower (\$0.49 per single space meter and \$4.90 per multi space meter station) than the proposed rate. As a result the memorandum further mentioned that upon approval to negotiate with the Collection Service Provider, the negotiation team would inquire as to the reasons for the substantial increase of their proposed rate.

Although a letter to the Vice President/Regional Manager of the Collection Service Provider, dated October 11, 2006, was provided showing an acceptance of the higher rates; Internal Audit was unable to confirm and/or document the results whether any negotiations had been conducted to reduce the rate to that of the prior contract or to substantiate the 32% increase from the previous contract rate.

Recommendation(s)

Clarification as to whether rates should be charged for attempted collections should be specified in the agreement. Also, results from inquiries, as directed by executive management, and reflected on the commission memorandum should have been documented.

Management's Response

The rate charged for attempted collections resulted from unforeseen conditions where collections could not be fully completed. There are a variety of field conditions that result in failed collection attempts, these include bad locks; failed audit readings, and other malfunctions. A collection attempt was defined as the successful completion of one of the required tasks (audit or collection process); therefore, a component of the required tasks had been rendered. This resulted in an agreed upon term known as a "collection attempt" which should more aptly be termed "partial collection". The User Department agreed to payment for said partial collections. There was no way to reflect this in the commission memorandum as this issue occurred after the award. Moving forward, the "partial collection" has been addressed and is excluded in its entirety from RFP No. 56-08/09, Parking Meter Collection Services.

The results of RFP No. 17-05/06 for Parking Meter Collection Services yielded Standard Parking (\$0.65 per single space meters and \$6.50 per multi-space) as the lowest responsive bidder. Resolution No. 2006-26256 and related Commission Memorandum states, "...the negotiation team will inquire as to the reasons for the substantial increase of their proposed rate..." Standard Parking was the lowest responsive bidder, this coupled with Standard Parking's increased operational costs from a five year old rate approved in 2001 of \$0.49 for single space meters and \$4.90 per multi-space meter resulted in little to no leverage in acquiring a lower per unit cost.

3. Finding – *Insufficient reliability and accuracy of data collected and reported from equipment used to retrieve single meter data during the collection process.*

As previously mentioned in the Process Description of this report, the City's Parking Department currently uses two different models and brands of equipment (handheld computers) to gather data from single meters being collected. In addition, the department has been working on the full implementation of a programmable key, along with a different locking mechanism for the single meter's vault door, which is close to 90% implemented City Wide, and a new software to monitor (on real time) the multi space meter stations and schedule their collections. All these mechanisms and equipment provide the City with the ability to generate detailed reports, once synchronized with the parking department's computers, that represent a key control in the verification, reliability, and accuracy of data collected from the single meters, as well as for the integrity, effectiveness, and accountability of the collection process.

Results from Internal Audit's testing and inquiries showed that incorrect information for meter numbers, meter locations, and total number of meters located in a zone has been programmed into the different equipment software used by the collectors during the collection process. As a result, the accuracy and reliability of the generated reports is compromised and their value as a functional control is diminished. Examples of the inaccurate programmed information include the following:

- Single meter locations programmed on the POM hand held computers are outdated; therefore the hand held system software (Meter Manager) reflects meters that have been moved to a different collection zone, as a result of regular servicing and maintenance operations, as if they were on their previous collection zones. Consequently, single meter revenue collections in some collection zones will show understated, while in other collection zones will show overstated. The same behavior applies for the number of meters collected.
- Incorrect multi space meter station numbers have been assigned on the multi space pay station's monitoring software (Parkfolio, from Parkeon). As a result, finding the locations of multi space pay stations scheduled for collection becomes difficult and time consuming while increasing the chances of not collecting it.

- Incorrect number of single meters allocated to individual collections zones. As a result, reports generated from the programmable key system software show an inaccurate number of meters being skipped without being collected.

Recommendation(s)

To manage the problem of the POM hand held computer programming, the Parking Department has been arduously working to face out this system and is approximately 94% complete with an estimated completion time frame of one month. In addition, communication has been initiated with the different equipment vendors in order to find the solutions to the current challenges. Despite these efforts, Internal Audit recommends to accelerate and maintain a consistent and persistent follow up with the vendor in order to correct the programmed information on the different equipments. Reports generated as a result of data collected from the different equipments (hand held computers, the different system software, and the programmable keys) represent a key control in the meter collection operation and should be corrected as soon as possible.

Management's Response

The User Department was in the process of transitioning from the POM Parking Meter Manager to the Mackay Meter Manager platform while simultaneously transitioning the door locking mechanisms from the KABA system to the Medeco System. Both the MacKay and Medeco systems run parallel in order to ensure the integrity of the collection process. This transition was initiated by the User Department due to many of the reasons cited in No. 3 above by Internal Audit. The transition from the outdated platform to the new platform was a process that took approximately six months to fully complete, It included initial deployment of 5,000 meter mechanisms; troubleshooting with the manufacturer (Mackay Meters and Medeco); and debugging the system. This process was substantially completed in April 2009 and minor adjustments since then continue to provide an enhanced reporting process, it is important to note that the monthly variance between the Mackay Meter Manager (audit) and actual revenue has consistently been improving since April 2009. In fact, the variance has dropped by 47% (10.51% in May 2009 to 5.65% in August 2009). The User Department agrees that this is an on-going process that needs to be maintained by both the User Department and the manufacturer Mackay Meters.

During the same time, the User Department was also in the process of connecting existing and newly installed Multi-Space meters to a wireless network (Parkfolio). For new installations, the pre-programmed machine number is connected to Parkfolio to complete the installation process and ensure that the unit is communicating correctly. Additionally, other units were relocated and a different number was assigned. Parkeon maintains the old number for the purpose of retaining the unit's audit history. Once this installation/relocation process is confirmed the machine's number is changed to reflect the final location of the unit. During the period of time between the initial connection, reflecting the old machine number, and the final re-programming to the new number, the information received from Parkfolio could be perceived as incorrect. Currently, Parkeon is up to date with these changes and machines numbers are correctly numbered both in the field and in Parkfolio. It is important to note that every time a machine is relocated the old number is retained as stated above.

4. Finding – *Cost for damaged equipment has not been charged to the Collection Service Provider consistently to RFP requirements.*

Internal Audit found the following differences in terms within the Collection Service Provider's proposal, as well as with the RFP, regarding cost recovery for damaged equipment while in the Collection Service Provider's custody:

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- a. Section II – Scope of Services, Specification 4 (Equipment), and 5 (Damages) of RFP No. 17-05/06 states that *“The Collection Service Provider shall be responsible for the coded collection keys, electronic locking system access cards, sealed coin collection buckets, bill hoppers, and data retrieval hand held devices and/or cards issued by the City. Collection Service Provider shall be financially responsible for repair or replacement, including parts and labor, of any equipment required due to being damaged, lost, or stolen while in his/her care, custody, and or control”*. On the other hand, the Collection Service Provider’s proposal mentions on its operating plan that *“As per the specifications of the RFP, Standard Parking shall be financially responsible for repair or replacement, including parts and labor, of any equipment required due to being damaged, lost or stolen while in our collectors care, custody, and/or control **less normal wear and tear**”*. As can be seen, the Collection Service Provider’s proposal differed from the RFP by providing for a deduction or exception (not clearly defined) for wear and tear. As a result of these provisions in the proposal, administration did not always charge for damaged equipment, for some items described in this finding, stating that damage could have been the result of wear and tear. Internal Audit was not provided with any documentation showing controls and monitoring for wear and tear or expected useful life for any of the equipment damaged.

Considering that equipment distributed by the Parking Department is inspected by the meter collectors every morning prior to beginning the collection, at which time, any defects or malfunctions could be addressed. Internal Audit randomly sampled fourteen (14) out of a total of one hundred one (101) broken equipment forms completed within our audit period in order to verify if repairs and/or replacement costs had been passed through to the Collection Service Provider, as specified on the RFP.

Results from this test showed that one (1) out of the fourteen (14) sampled broken equipment forms or 7.14% were actually billed to and paid by the Collection Service Provider. The department mentioned that they were waiting for a vendor quote for a second damaged equipment form, to then invoice the Collection Service Provider. Further inquiries and research showed that out of the one hundred and one (101) broken equipment forms (mainly keys and hand held broken cables) completed within our audit period, only three (3) or 2.97% were actually billed to, and paid by the Collection Service Provider.

Additional inquiries with the Parking Department reflected that most of the items not billed to, or paid by the Collection Service Provider were considered to be the result of wear and tear from regular operations. However, damage descriptions on seven (7) of the thirteen damaged equipment forms from our sample, not yet billed to the Collection Service Provider, included the following:

<u>Date</u>	<u>Description</u>
03/23/07	“Husky Top #2 lost ”
08/07/08	“Card was lost somewhere, don’t know where”
08/27/08	“Husky fell and plastic cover came off”
11/18/08	“Bottom got loose, it broke when put it on the floor ”
12/04/08	Equipment type: Collection Can Lost Bill hopper

Considering the descriptions of the damage, Internal Audit believes that these items should have been billed to, and paid by the Collection Service Provider.

- b. Section II – Scope of Services, Specification 4 of the RFP, requires that “*Collection Service Provider shall be financially responsible for repair or replacement, including parts and labor, of any equipment required due to being damaged, lost, or stolen while in his/her care, custody, and or control*”. It continues to mention that “*any of the aforementioned property, including but not limited to, locks, electronic locking system access cards, hand held computer devices, sealed coin collection buckets, bill hoppers, and data retrieval card/devices, must be replaced within seven calendar days of loss. Failure to meet the time criteria of this provision shall result in a penalty of \$250.00 per day or ten (10%) per day of the total value due to the City from the Collection Service Provider due to the loss of City Property, or whichever is greater. The greater of these two penalties will be assessed against the Collection Service Provider for every calendar day past the seventh (7th) day; such penalty is to be deducted from any future or current remittances due to the Collection Service Provider*”. Results from our testing did not reflect any penalties being assessed to the Collection Service Provider considering that no invoices were sent to the Collection Service Provider.

Recommendation(s)

Any discrepancies or deviations from the terms of the Request For Proposal or within the agreement, including rate changes or applicability, inclusions and/or exclusions among others, should be reconciled, documented (either as an addendum to the agreement or an additional section within the agreement or any other form deemed appropriate), and approved by the Mayor and Commission.

In addition, any provisions stipulated in a service agreement should be supported by guidelines and/or policies and procedures whenever applicable. For example: if the administration considers the wear and tear of equipment not to be the responsibility of the Collection Service Provider, then guidelines and procedures to identify wear and tear should be established and fully documented to be consistently applied. Items not considered wear and tear should be paid for by the Collection Service Provider. Also proper definitions for deductions and/or exclusions should be clearly stipulated on the service agreement to ensure proper treatment and execution of the same.

Furthermore, penalties, as established by the RFP, should be assessed whenever applicable. However, considering that it could take more than seven days to receive evidence from vendors reflecting a repair or replacement cost for equipment, Internal Audit recommends amending the requirement in future agreements to reflect “*must be paid by the Collection Service Provider within seven calendar days from the city’s invoice date*” and include a department procedure to follow up with vendors and create and remit invoices to the Collection Service Provider immediately after receiving the costs incurred from the vendors. On the other hand, the department would have to increment their efforts to receive from the vendors all costs incurred for repairs and/or replacement of equipment within the same day of the damage.

Management’s Response

During the period of December 2005 and January 2009, Standard Parking has received and paid for four (4) invoices totaling \$3,773.74 for damaged and/or lost equipment. Internal Audit’s sampling identifies various items that were not invoiced to Standard Parking. This is correct, as there were items such as the ones identified, including but not limited to handheld cables; Husky plastic covers; coin can pins; Husky button; key holder; and bent screws on Huskys that are deemed as: (1) items that have substantial wear and tear or (2) immaterial. This wear and tear was exacerbated by the fact that replacement equipment was not purchased at the appropriate intervals as: (1) certain equipment (Kaba Keys) was discontinued by the manufacturer and (2) the User Department was in the process of transitioning single space meter platforms (POM to

Mackay Meters) and it was not practical or efficient to incur any additional expense. In fact, one of the reasons for the transition in single space meter platforms was the lack of durability of various components of the POM equipment. The determination as to whether items were damaged due to wear and tear or due to negligence on the part of Standard Parking was jointly identified by City field personnel such as Parking Meter Maintenance Technicians, Coin Room Staff; and Management.

The User Department will develop revised "Equipment Report" identifying the item, its condition, and whether the Contractor is responsible for repair/replacement costs. Additionally, the professional service agreement will contain a provision to specifically address the Contractor's responsibilities regarding equipment.

5. Finding – *Collection vehicles were not equipped following all the RFP specifications*
Section II – Scope of services, Specification number 6, General Provisions, of the RFP requires that each of the Collection Service Provider's collection vehicles are to be equipped in accordance to the following specifications:
- a. Electronic vehicle tracking system (Lo-Jack, Tele-Trac, or equivalent); and
 - b. Alarm system with sirens covering all entry points including an ignition kill and fuel shut-off; and
 - c. Interior iron/steel caged compartments to enclose, keep upright, and distinguish all full and empty coin canisters/sealed coin collection buckets/bill hoppers, including an individual slot for each in order to lock in an iron/steel compartment independently of each of the other collection devices; and
 - d. Enclosed vehicles to keep contents from public view;
 - a) The solid bulkhead separating the driver from the back compartment of the vehicle must have an opening that would permit the driver to have a clear view of the back compartment.
 - b) A drop safe for equipment must be installed on the passenger side of the bulkhead.
 - c) Each vehicle's passengers must adhere to all safety requirements, including the use of seat belts at all times for the safety of all collection personnel.
 - d) Each vehicle must be equipped with a method of air conditioning in the rear compartment.
 - e) All vehicles must be unmarked.
 - f) All doors are to lock automatically when closed and be equipped with an alarm system as specified above.
 - g) Collection Service shall employ all of the personnel safety procedures and/or devices necessary to transport coin safely from parking meters and pay stations to any place within the City of Miami Beach for the purpose of counting, storing, depositing, or any combination thereof.
 - h) Each vehicle operator must be equipped with a cellular telephone or two-way radio to provide communication from one operator to another operator and to a City of Miami Beach designee.

Observations conducted on February 5th, 10th, and 20th of 2009, and inquiries performed by Internal Audit confirmed compliance with the installation of an electronic vehicle tracking system (although no installation date could be confirmed), and installation of the alarm system, which Collection Service Provider employees mentioned that it had been installed in late January 2009, maybe early February of 2009. In addition, the vehicles are enclosed to keep contents from public view. The solid bulkhead separating the driver from the back compartment is a metal cage that allowed the driver to have a clear view of the back compartment. Also, each vehicle operator is

equipped with their personal cellular phones and each vehicle is provided with a two-way radio by the City's Coin Room.

Despite compliance with the above mentioned requirements, the Collection Service Provider did not comply with the following requirements, as described on the RFP.

- a. It was confirmed that none of the Collection Service Provider's collection vehicles were equipped with a drop safe for equipment on the passenger side of the bulkhead.
- b. Two (2) out of the four (4) collection vehicles used by the Collection Service Provider (Three vehicles used for the daily collections and one spare, in case needed) did not have a working air conditioning system and none have a method of air conditioning in the rear compartment. The rear compartment would be air conditioned by the front air conditioning system, as most cargo vans only have frontal air conditioning vents. Two out of the three collection vehicles used during Internal Audit's visit did not have air conditioning at all considering that the fourth vehicle has not been used for a while, due to mechanical problems and a broken window.
- c. None of the doors of the collection vehicles locked automatically when closed. The locks would have to be manually activated, especially on the rear doors, which are used to load and unload the collection equipment during the collection of the meters.
- d. One out of the four vehicles used for collection was properly outfitted to carry bill hoppers and multi space meter coin canisters, but not the single meter sealed coin collection buckets. Meanwhile, two (2) were outfitted to carry the sealed single meter coin collection buckets, but not the multi space meter's bill hoppers and coin buckets. Lastly, the last vehicle was not properly equipped to carry any of the collection coin buckets and bill hoppers.

Recommendation(s)

Collection Service Provider's collection vehicles should be equipped and properly outfitted to conform to all the specifications of the RFP immediately. In addition, periodic adjustments should be considered and executed by the Collection Service Provider in order to adapt their collection vehicles to changes in collection equipment as determined by the City. Furthermore, provisions for these periodic adjustments or upgrades should be incorporated in the agreement and the RFP considering the changes in technology, changes of City Vendors for equipment purchases, among other factors.

Management's Response

On March 20, 2009, pursuant to an inspection conducted of the meter collection service vehicles and contracted meter collection service employees resulted in various findings. These findings were identified in a correspondence dated March 25, 2009 to Standard Parking placing them on notice to cure these findings (see attached). Subsequently, on April 17, 2009, a follow-up inspection was conducted to confirm compliance. This inspection resulted in satisfactory compliance of the deficiencies identified as well as other requirements identified in the RFP. The User Department will develop a checklist of items pursuant to the requirements of the RFP; Service Provider's Proposal Documents; and Professional Service Agreement. The User Department will perform periodic inspections to confirm compliance.

Collection Service Provider's Response

At the time of the RFP, the three collection vans were properly fitted based on the existing multi-space and single space meter collection levels. Although outside of the requirements of the contract, Standard Parking provides a fourth collection van that has the security components installed for use during any primary van down time. Although many of the items in question do not provide any benefit to the existing contract, all deficiencies were corrected and the meter vans were re-inspected on April 17, 2009 and were deemed in compliance.

6. Finding – *No evidence was provided reflecting the filing of a \$500,000 performance bond, as required by the RFP.*

Section II, 19 (Scope of Services, Performance Bond) of the RFP, requires that a performance bond is required of the Successful Proposer to give the City surety of the Successful Proposer's financial stability. The performance bond should be renewable annually and on the options. The form of the bond should be approved by the City Attorney and shall be a corporate surety bond from a company licensed to do business in the State of Florida.

Results from Internal Audit's inquiries did not provide sufficient evidence to support the submittal, by the Collection Service Provider, or the approval, by the City Attorney, of a \$500,000 performance bond.

Recommendation(s)

The Collection Service Provider should provide the required performance bond to the Parking Director to be submitted to City Attorney's Office for approval of the form of the bond, following all the specifications of the RFP. In the future, any performance bond requirement should be complied with at the beginning of the contract and maintained in full force throughout the term of the agreement. This requirement should be monitored by a designated Parking Department employee.

Management's Response

Standard Parking has been notified and has indicated that they will comply and provide said performance bond.

Collection Service Provider's Response

Standard Parking provided the Parking Department with a duplicate copy of the performance bond on 11/5/09 for the current contract term. As discussed with the Parking Department, the performance bond needs to be executed by the City with a signed copy returned to Standard Parking. We have not received a copy to date.

7. Finding – *Collection policies and procedures established by the City's Parking Department were not always followed.*

Three un-announced visits were conducted on February 5th, 10th, and 20th, of 2009, in order to verify compliance with Standard Operating Procedures, established by the Parking Department. During each of Internal Audit's unannounced visits, a different collection vehicle was followed in order to observe the overall collection process.

As part of our testing, Internal Audit secretly observed the collectors performing their duties prior to approaching them and providing identification. On two of the three visits Internal Audit observed how data from single meters were being collected, using the hand held computers, prior to collecting the meter. Although operationally insignificant, collecting data from the single meters prior to collecting the meter represents a departure from the established Standard Operating Procedures. It could also create variances between moneys collected, per hand held computers,

and moneys counted, per coin room, if for whatever reason the meter can not be later collected. If the meter can not be collected, data recorded on the hand held computer will reflect that more money was collected than physically counted by the coin room employees. When asked, the Collection Service Provider's employees mentioned that they would comply immediately and would no longer collect meter data prior to collecting the meter, but added that they have been performing their collections accompanied by different City meter technicians and were never told not to collect this way.

With respect to multi space meter stations, collections were performed according to, and in compliance with Standard Operating Policies and Procedures. However, they no longer have to retrieve data from the multi space meter stations for credit card/ debit card transactions, since the data is transmitted wireless to the Parking Department directly.

Recommendation(s)

Parking Department's stipulated Standard Operating Procedures should be adhered and followed by the collectors at all times. In addition, the Parking department should maintain and updated copy of such Standard Operating Procedures reflecting any changes, such as no longer requiring the collector to gather credit card transaction data from multi space pay stations, and distributing them to all collectors and individuals involved in the collection process. Any changes to the collection procedures and/or requirements should be communicated in writing to the Collection Service Provider, as well as to all collectors to ensure proper communication.

Management's Response

The User Department concurs with this finding and all standard operating procedures (SOP) shall be updated.

Collection Service Provider's Response

Standard Parking concurs with the findings and will comply with the new standard operating procedures (SOP) when issued by the City.

8. Finding – *Employees of the Collection Service Provider did not always wear appropriate uniforms and name tags.*

Results from our three un-announced visits showed that not all the employees of the Collection Service Provider wore proper uniforms and identification tags, as required by Section II – Scope of Services, Specification 6 for general provisions (Page 15) of the RFP. However, the RFP (Page 15) also stipulates that identification tags should have been provided by the City of Miami Beach.

Recommendation(s)

Both, the Parking Department's administration and the contractor should ensure that all collectors wear proper uniform. In addition, the City should provide identification tags to all collectors, as stipulated in the RFP.

Management's Response

Please refer to response to No. 5 above.

Collection Service Provider's Response

All collectors have been instructed to wear uniforms at all times with replacement uniforms provided as applicable.

9. Finding – *Number of collectors employed by the Collection Service Provider were less than the number proposed on the Collection Service Provider's response to the RFP.*

Although the Collection Service Provider complied with RFP requirements by providing three (3) collection vehicles for the daily collections, and six collectors, in teams of two per collection vehicle, were employed for the daily meter collections. This fact contradicted their proposal in response to the RFP, which stated that *"Since Standard Parking Corporation completely understands the scope and time required to collect the average amount of meters per day, our cost proposal below reflects seven (7) daily collectors, one of which is our Meter Collections Supervisor"*. Although daily meter collections have been completed without major delays, not providing the additional collector creates a conflict with the Collection Service Provider's cost proposal and operating plan. It could also affect possible efficiencies that would have resulted from having the additional collector.

Recommendation(s)

Representations included in the Collection Service Provider's proposal that could have been considered in the selection process and to substantiate operational billing rates to the City should be honored by the Collection Service Provider at all times, throughout the term of the agreement. In addition, the Parking Department's administration should implement a procedure to ensure compliance with contract requirements and agreed upon terms.

Management's Response

Please refer to response to No. 5 above.

Collection Service Provider's Response

At the time of RFP, the estimated collections were 20,000 single space and 3,000 multi-space per month. These levels have been reduced by the City (2008 = 20,868 single space with 1,024 multi-space) resulting in reduced billing to the City. Standard Parking has reduced staff accordingly while maintaining the time requirements requested by the City. In addition, Standard Parking Meter Collection Supervisor has been replaced by a part-time Collection Clerk who is staffed in our Regional Office and handles all billing, payroll, new hire paperwork, and other internal requests.

10. Finding – *No supporting documentation was provided to reflect compliance with insurance requirements in full force and in effect at all times during the perceived term of the agreement.*

According to insurance requirements stipulated on "Section VI – Special Terms and Conditions: Insurance" of the RFP, the Collection Service Provider should obtain, provide and maintain during the term of the agreement a policy including, but not limited to comprehensive general liability including bodily injury, personal injury, property damage in the amount of a combined single limit of not less than \$1,000,000. Coverage should be provided on an occurrence basis, and naming the City of Miami Beach as a certificate holder and additional insured on the policy. In addition, a policy of Worker's Compensation and Employers Liability Insurance in accordance with State worker's compensation laws, as required per Florida Statutes, should be maintained as well.

Insurance requirements should be maintained with insurers licensed to sell insurance in the State of Florida and have a B+ VI or higher rating in the latest edition of AM Best's Insurance Guide. Any exceptions to these requirements should be approved by the City's Risk Management Department. Furthermore, the Collection Service Provider would have to file and maintain certificates of all insurance policies with the City's Risk Management Department showing said policies to be in full force and effect at all times during the course of the agreement.

Other insurance requirements, as reflected on the “Insurance Checklist” of the RFP include Automobile Liability, \$1,000,000 for each occurrence; Employee Dishonesty Bond in the amount of \$1,000,000; Theft Covering Money and/or Property of others for the amount of \$100,000.

On March 24, 2009, the Collection Service Provider made available a comprehensive Certificate of Liability Insurance (Certificate #: 570033400683) as proof of Liability Insurance, Automobile Insurance, Worker’s Compensation, and coverage for Excess Liability/Umbrella Liability that met the minimum insurance coverage requirements stipulated on the RFP. However, the Certificate showed no evidence of being approved by the City’s Risk Management Office, as required by the RFP. In addition, the Certificate reflected a policy effective date of 01/01/09 and an Expiration date of 01/01/10, therefore did not provide sufficient evidence of coverage throughout the perceived term of the agreement (3 years). No additional information requested to supporting insurance coverage in full force throughout the 3 years was provided to Internal Audit.

Recommendation(s)

The Collection Service Provider should submit all Certificates of Insurance to the City’s Risk Management Division for approval and verification of the insurer’s rating. This process should be completed every time a required insurance policy is renewed by the Collection Service Provider, in compliance to the RFP. In addition, all Certificates of Insurance approved by the City’s Risk Management division should be filed by the Collection Service Provider with the contract manager (Parking Department) to substantiate coverage in full force throughout the term of the agreement. In addition, the Parking department should establish a monitoring system to follow up and ensure that compliance with insurance requirements is maintained in full force throughout the term of the contract.

Management’s Response

Standard Parking has been notified and has indicated that they will provide Certificates of Insurance to the City’s Risk Manager and User Department.

Collection Service Provider’s Response

Standard Parking has mailed the City (1700 Convention Center Drive) a copy of the Certificate of Insurance every year. As a safeguard in the future, Standard Parking will provide an email copy to the Parking Department for their records.

EXIT CONFERENCE

An exit meeting was held on October 7, 2009 to discuss the audit report and to solicit management responses noted above. Attendees were Saul Frances, Parking Director, Charles Adams, Parking Assistant Director, James Sutter, Internal Auditor and Fidel Miranda, Auditor. A separate meeting with the Contractor (Standard Parking) was held on January 5, 2010 and attendees included David Hoyt, Vice President and Regional Manager and Frank Pintado. Management responses were received shortly thereafter. All were in agreement with the contents of this report.

JJS:FM:fm

Audit performed by Fidel Miranda, Auditor

Internal Audit Report
Parking Meter Collection Agreement – Standard Parking
February 5, 2010

cc: Jorge Gomez, Assistant City Manager
Saul Frances, Parking Department Director
Charles Adams, Assistant Parking Director
Patricia Walker, Chief Financial Officer
Gus Lopez, Procurement Director
David Hoyt, Vice President / Regional Manager for Standard Parking, Inc.