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OFFICE OF BUDGET AND PERFORMANCE IMPROVEMENT, Internal Audit
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TO: Jorge M. Gonzalez, City Manager

VIA: Kathie G. Brooks, Budget and Performance Improvement Director

FROM: James J. Sutter, Internal Auditor

DATE: February 23, 2010

SUBJECT: SUMMARY OF OBSERVATIONS FOR PARKING REVIEWS PERFORMED DURING FY
2008/2009

As part of our Annual Audit Plan, Internal Audit performs a variety of operational reviews tailored to ensure compliance to policies and procedures, quality of customer service, identifying potential operational efficiencies, and ensuring that revenues and City assets are properly recorded and safeguarded with respect to the Coin Room, Attended Lots, and Meter Enforcement operations of the Parking Department.

OVERALL OPINION

Although observations documented throughout all of Internal Audit's reviews of the Coin Room and Attended Lot operations did not provide us with reason to believe that any exception noted significantly affects the overall financial position of the City, there were opportunities noted to maintain and/or improve operational efficiencies, closer adherence to documented policies and procedures, and customer service.

Furthermore, the enforcement capture ratio, calculated from our Meter Operation and Enforcement reviews, continued to be lower than industry benchmarks, as reflected on the J.L. Donoghue Evaluation of Parking System Revenue Control, despite a minor improvement of an additional 5.02% from last year when it was averaged at 3.36%. Insufficient enforcement results in not maximizing parking revenues collected from both, the metered space and the issued citations.

Additional details have been provided later on this memorandum, under the corresponding operation review performed, for further details and reference.

FINDINGS/OBSERVATIONS

During fiscal year 2009, a total of four (4) Coin Room, four (4) Attended Lots, and ten (12) Meter Operations and Enforcement reviews were conducted at different unannounced dates and times. Results from these reviews have been summarized, by operation, as follows:

COIN ROOM OPERATION REVIEW FINDINGS:

Coin Room operation reviews are performed quarterly in order to verify that controls, policies and procedures, and revenue accountability are consistently applied to the daily meter revenue collections. For this purpose, unannounced site visits were made on December 29, 2008, and on March 18th, May 20th, and September 11th, of 2009 to review the Coin Room's daily operations at the first floor of 309 23rd Street. The following summarizes our findings and observations:

- a) The Parking Department has continued implementing the usage of new Medeco keys for the collection of single meters. These keys possess upgraded security features important for the verification of the integrity of the collection process, as they provide an accurate count of the single meters in which the key was used, which should equal the number of meters collected by the Standard Parking Meter Collectors. However, the task of comparing the two numbers should be performed daily by Parking Department personnel with any differences further investigated and documented. This practice would help to ensure that all meters audited were collected and that the Contractor's invoices are correct, considering that their pay is based on the number of meters collected. Consequently, Internal Audit recommends the implementation of the Medeco keys as soon as possible, as well as the monitoring of the Collected Meters Report.
- b) In order to obtain a better understanding of the new software (Parkfolio, from Parkeon) used to monitor the Master Meters wireless, Internal Audit met with a Revenue Processor II, who uses the Parkfolio System software application to identify master meters that need to be collected, either because they are full, jammed or any other malfunction. Using this software allows the Revenue Processor to schedule collections for master meters in need of collection. As a result, a meter number, and zone location is given to the collectors for collection. The method ensures that only meters that really need to be collected, are collected, and those that are not required to be collected are then left for future collection. This method should contribute to lowering the City's cost for collections since frequency of collection of those master meters less utilized or in less populated areas is decreased to only when necessary, as opposed to collecting the entire zone even if meters are half empty. As further option, the system allows the Revenue Processor know which of the revenue sources need to be collected, the bills or the coins. This way he/she can have the necessary equipment to effectuate the collection prior to the collector's arrival.

Despite the many advantages of the System, Internal Audit learned that some of the master meter numbers programmed in to the system's database do not correlate to physical numbers assigned to the different pay stations on the field. This represents a challenge for collectors since it becomes very difficult to identify the machine assigned for collection. It also increases the chances that the pay station may not be collected at all, but charged by the contractor to the City as an attempt for collection. Although the parking department is currently in talks with the vendor to correct the problem, Internal Audit recommends a persistent follow up and the request of a date line to complete all corrections.

- c) Reports generated from data gathered by the smart programmable Medeco keys could be used as a control for the meter collection operation. The keys collect data regarding how many single meters and which single meters have been collected. This feature is very useful as a reconciling item with reports generated from the hand held computers; therefore ensuring a higher level of confidence regarding the accuracy of data used by the contractor to invoice the City. Nonetheless, Internal Audit learned that information programmed into the system software database, similarly to the Parkfolio system, have a greater number of meters in certain areas than the number of single meters physically on the zone. To correct this problem, Internal Audit recommends implementing the same recommendation provided above.

- d) It was noted that the Revenue Processors were programming the Medeco keys to be valid between 6:00am and 5:00pm for the next business day. However, Standard Parking does not arrive to pick up the keys until 6:30am and their work is typically finished by 12:00pm. As a result, the extended programmed hours increases the City's risk exposure in the event that one of these keys is inadvertently lost. To be conservative, Internal Audit would recommend programming the Medeco keys to be operational between 6:30am and 2:30pm or simultaneously with the hours that the Coin Room is open daily.
- e) All coin Room cameras were found to be fully operational and properly positioned to eliminate blind spots inside the coin room. The access card reader located outside the Coin Room door was properly working as well.
- f) Contractor's vehicles operated without following all the specifications for equipment outfitting of the Request For Proposal (RFP). Some of the shortfalls included:
 - 1. Two of the three Contractor vehicles were operating without air conditioning, contradicting requirements of the RFP. A properly functioning air conditioner helps keep the passengers and contents cool, as well as the windows defrosted thereby aiding vision.
 - 2. Another area reviewed was the ability for the vehicles to automatically lock the doors when closed. This continues to be a shortfall as only one of the collection vehicles can be closed with the alarm. The other two have to be manually locked, which is a departure from RFP requirements as well.
 - 3. Drop safes installed on two of the collection vehicles are too small and are not being used for its intended purpose. They are also non-practical for the daily collection operation.
- g) During our review, Internal Audit noticed two plastic cases (one on top of the other) on the South West corner of the Coin Room, right by the entrance. These cases were filled with single meter coin buckets, but after a closer look, Internal Audit noticed three (3) bags partially filled with coins. Immediately after, Internal Audit inquired about the content of the plastic cases. Coin Room staff stated that the plastic cases and the bags had been brought by Meter Technicians a few weeks prior. They also added that because a location from which these coins were collected was not identified, they did not count them and were advised to count them little by little and include them as spillage. A later count of the coins in the bags totaled \$273.10.

A closer look to the plastic cases showed that out of a total of thirty-one (31) single meter coin buckets, twenty eight (28) had coins in them. It was later determined that a total of \$292.84 was inside these coin buckets.

Subsequently, it was determined that the buckets were brought to the coin room by City Meter Technicians from the 17th Street Garage. These coin buckets were extracted from meters that have been removed a long time ago. Although Internal Audit was unable to determine how long ago, the On-Street Operations Manager Stated that the meters had been removed prior to him being hired, at least five years ago. He also added that there are other single meters that were removed around the same time that may still have an undetermined amount of revenues. However, they have not been able to open them since the air conditioner of the storage broke and it is extremely difficult to work without proper air circulation.

Based in our observations, Internal Audit recommended that revenues, whether in coins or bills, should be accounted immediately after being received at the coin room. In addition, the air

conditioner of the storage under the 17th Street garage should be fixed, as soon as possible in order to allow personnel to collect any potential and undisclosed revenues still inside the single meter heads removed. Furthermore, any moneys brought by the City technicians should be documented, including the zone to which it belongs, and counted immediately.

No other significant findings were observed during our reviews and the department continued to show a commitment towards improved processes and efficiencies.

Management Response(s):

- a) All Medeco Lock Installations have been completed.
- b) All Master Meters have an assigned number. All designations have been confirmed both internally and with the vendor's (Parkeon) Parkfolio software. Parkeon's Parkfolio database is reconciled periodically to ensure both the manual list and Parkfolio match. This is an ongoing process to capture any mislabeled master meters by either or both parties, with the understanding that errors may occur on either side. It is to be noted that within Parkfolio we have an inactive list of master meters which are kept for historical purposes. There are also several master meter numbers that are used exclusively for set up and testing purposes.
- c) All Single Space Meter Locks have an identifying number. All designations have been confirmed both internally and with the vendor's (Medeco) software. There are areas within the City which are under construction and meters are temporary removed or bagged. Contingent upon the completion of the project some of the meters may or may not be return to service. Both databases are kept unchanged for reference purposes until the project is completed. This may take an undetermined length of time.
- d) Management agrees to adjust the hours Medeco Keys are operable from 6:00AM – 5:00PM to 6:30AM - 4:00PM. Collectors begin their tour of duty at 630AM; however, due to unforeseen circumstances such as inclement weather and/or technical difficulties, collection crews have returned to the office as late as 4:00pm.
- e) Agreed.
- f) The Meter Collection Contractor, Standard Parking, was recently awarded a contract extension. These items are being addressed as a component of said extension. It is important to note that the Contractor was required to provide drop safes (Item No. 3); however, the use of drop safes by the Contractor has not been required; therefore, this finding is not applicable.
- g) From time to time, parking meter locking mechanisms malfunction rendering them inoperable. This requires the parking meter vault to be drilled open. The meter cans referenced in the finding were from meters with inoperable locks. Management agrees that ideally these meters should be addressed timely; however, at times, resources and circumstances, delay their timely completion. Since the AC unit has been replaced working conditions has permitted the extraction of the remaining "buckets". The current S.O.P. entails that if a meter needs to be stored or removed the meter is audited, collected (the coin can is labeled and turned in to the coin room), removed from both databases, if permanent. The empty coin can is then removed from the housing and stored separately.

ATTENDED LOTS OPERATION REVIEW FINDINGS:

Attended Lots operation reviews, like Coin Room operation reviews, are performed quarterly to evaluate operations and compliance with documented policies and procedures established by the City's Parking Department. These reviews are completed on two phases: Un-announced secret observations and lots walk through. Visits on December 23, 2008, February 13 and 14, June 17, and September 27 to different attended lots were conducted during FY 2009. The following summarizes the results from our observations and walk throughs during our visits:

- a) All observed vehicles who paid received a valid pre-numbered ticket when entering the lot.
- b) All tickets observed on the dash boards of parked vehicles concurred with the sequences of issued ticket books.
- c) Surface lots are being attended regularly without any guidance or criteria and in contradiction to Chapter 106 of the City Code (Ordinance No. 2008-3613).
- d) There are parking fee rates offered at attended surface lots that are not stipulated on the City's Code of Ordinances and have not been approved by the Mayor and Commission.
- e) Control weaknesses exist with respect to the implementation, accountability, and enforcement of hourly rates (\$2.00 discounted rate for three (3) hours and \$4.00 for staying one through four hours) offered at three (3) of the City's attended surface lots.
- f) Lots located on 72nd Street and Collins Avenue (North and South Lot), and on 21st and Collins were being attended seven days per week despite a smaller demand for parking during week days.
- g) Parking spaces are being restricted and reserved on the 46th Street and Collins Avenue attended surface lot, reducing the capacity, preventing visitors from parking, and reducing revenues generated by the lot.

Management Response(s):

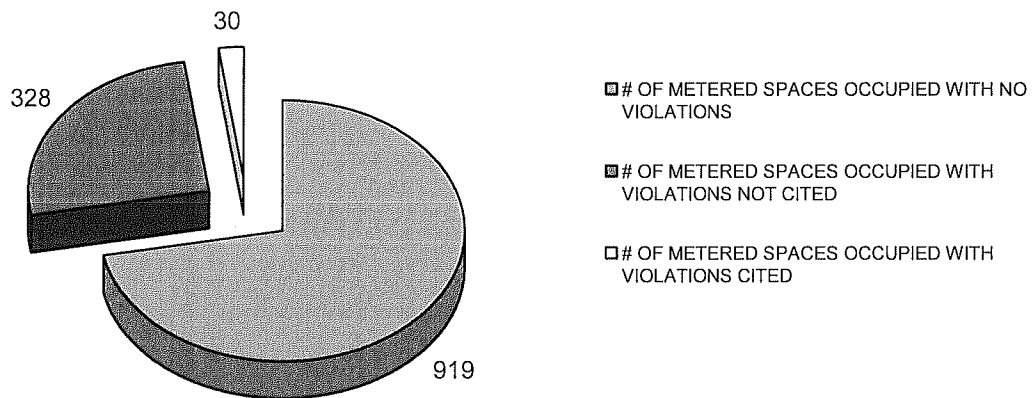
- a) Agreed.
- b) Agreed.
- c) All Surface Lots are operated consistent with the criteria established in Chapter 106 of the City Code (Ordinance No. 2008-3613).
- d) All parking rates offered at the City's attended surface parking lots are now in compliance with the City's Parking Rate Ordinance.
- e) This practice has been discontinued.
- f) This was also identified by Management and the practice has been discontinued.
- g) An allotment of parking spaces are withheld for short term parkers that will not use the facility longer term and in turn do not want to pay a flat rate which is intended for long term parking. Many, if not all, who are affected are residents of Miami Beach. This practice is in place to provide Miami Beach residents with a higher service level. Lost revenue, if any, is more that recuperated by the collection of the flat rate.

METER OPERATION AND ENFORCEMENT REVIEW FINDINGS:

Meter Operation and Enforcement reviews are preformed throughout the year in order to confirm that the number of citations issued and observed divided by the number of violations observed is at least 25%, as recommended by the J.L. Donoghue Evaluation of Parking System Revenue Control. This ratio is also known as the Enforcement Capture Ratio. Internal Audit also verifies whether meters are in good working condition, ensures that there are no hazards to customers and/or their vehicles when using the parking spaces. In addition, we verify that meters are not vandalized or painted with graffiti. Exhibit 1, later attached reflects results from our reviews. In addition we have summarized results from our reviews with respect to the Meter Enforcement Capture Ratio as follows:

- a) Using the results from our reviews we estimate that approximately one (1) out of every four (4) metered spaces occupied in the City is in violation, and approximately one (1) out of twelve (12) of those in violation and eligible for citation is captured. The is an improvement over the previous fiscal year where one (1) out of every three (3) metered spaces occupied was in violation and one (1) out of every thirty (30) of those in violation and eligible for citation was captured. To better illustrate this relationship for the past fiscal year the following chart was created using the results from our reviews:

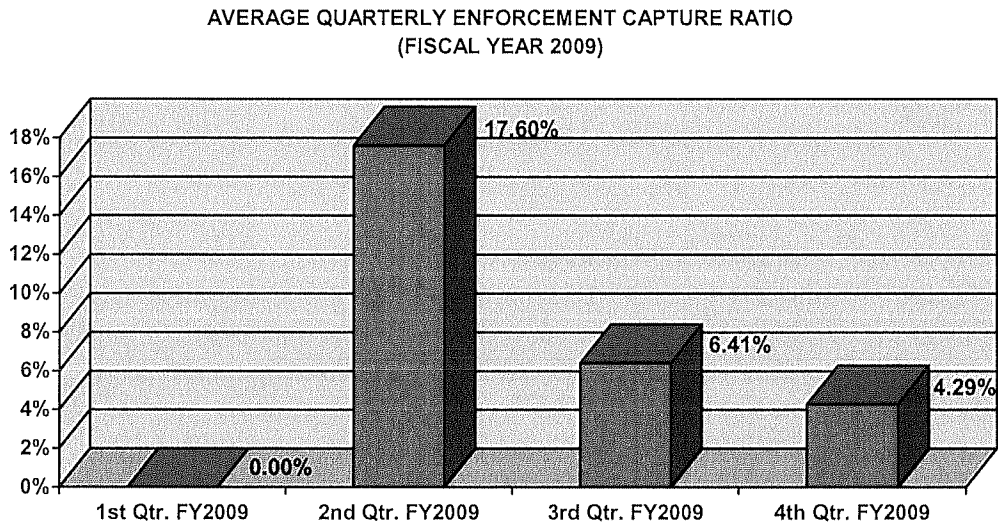
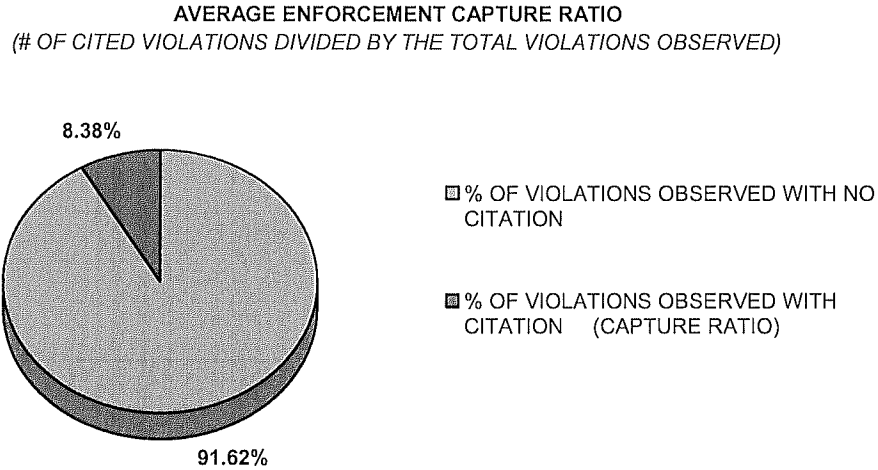
RELATIONSHIP AMONG METERED SPACES OCCUPIED WITHOUT VIOLATIONS, METERED SPACES OCCUPIED WITH VIOLATIONS NOT CITED, AND METERED SPACES OCCUPIED WITH VIOLATIONS CITED



Note: Total number of occupied metered spaces tested was 1,277.

In contrast, the overall average of Meter Compliance Ratio (the number of occupied metered spaces with no violations added to the amount of occupied metered spaces with violations cited, divided by total number of occupied metered spaces) averaged 74.31%. This means that approximately out of every one hundred (100) occupied metered spaces in the City, approximately seventy-four (74) were not in violation and/or the violation was cited.

- b) An average Enforcement Capture Ratio of 8.38% was observed to be less than desired industry benchmark of 25%, as per the J.L. Donoghue Evaluation of Parking System Revenue Controls. However this is an improvement over the 3.36% observed in the previous fiscal year. The following charts helps to illustrate the average capture ratio resulting from our reviews:



Actual observation results from our reviews are reflected on Exhibit 1 provided along with this report for further details.

Other observations during our reviews included the following:

- c) Poorly written Daily Activity Reports by the enforcement officers.
- d) Errors regarding vehicle and zones of enforcement assignments to the officers on the Enforcement Division Daily Schedule prepared by the shift supervisor.

As a result, Internal Audit recommended to the Parking Enforcement Division to implement additional internal controls by reviewing and comparing all daily schedules to include the officer's Daily Activity report, the Officer/Unit Status Inquiry Listing, and the Detail Call for Service Report, to verify their reliability, legibility, and ensure their agreement. Any exception should be investigated, resolved and

documented. Once the review is complete, then the reports should be signed as reviewed by the shift supervisor.

Management Response(s):

- a) Agreed.
- b) Agreed. The Capture Ratio has improved but it does continue to be below the Donoghue recommended goal of 25%. Management applauds Internal Audit acceptance of Management's recommendation to include the Compliance Ratio as an additional measure. A Compliance Ratio of 74.31% provides additional confirmation that overall parking enforcement efforts are effective.
- c) Agreed. Management is addressing the issue of penmanship with staff.
- d) Management will investigate and address any findings with shift supervisors.

(Summary completed by Fidel Miranda, Auditor)

CC: Jorge Gomez, Assistant City Manager
Saul Francis, parking Department Director
Chuck Adams, Assistant Parking Director

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CITY OF MIAMI BEACH
 OBPI - INTERNAL AUDIT
 METER OPERATION AND ENFORCEMENT SUMMARY
 From Nov. 2008 to Sept. 2009

EXHIBIT 1

METER TYPE	DATE	DAY OF WEEK	TOTAL # OF METERS TESTED	# OF METERS OCCUPIED	# OF VIOLATIONS OBSERVED	# OF CITATIONS ISSUED	# OF BAGGED SINGLE METERS	% OF DEFECTIVE METERS	METER ELIGIBLE FOR CITATIONS	METER ENFORCEMENT CAPTURE RATIO	METER COMPLIANCE RATIO
MASTER	12/23/2008	TUESDAY	178	178	39	0	N/A	0	21.91%	0.00%	78.09%
SINGLE			2	2	2	0	0	0	100.00%	0.00%	0.00%
MASTER	12/30/2008	TUESDAY	29	29	9	0	N/A	0	31.03%	0.00%	68.97%
SINGLE			84	84	35	0	5	7	41.67%	0.00%	58.33%
SINGLE	01/20/2009	TUESDAY	130	129	27	0	0	9	20.93%	0.00%	79.07%
MASTER	03/16/2009	MONDAY	92	92	44	0	N/A	0	47.83%	0.00%	52.17%
MASTER	03/27/2009	FRIDAY	97	97	18	0	N/A	0	18.56%	0.00%	81.44%
MASTER	03/31/2009	TUESDAY	51	51	23	15	N/A	0	45.10%	65.22%	84.31%
SINGLE			37	37	13	7	0	0	35.14%	53.85%	83.78%
MASTER	04/23/2009	THURSDAY	94	94	14	0	N/A	0	14.89%	0.00%	85.11%
SINGLE	05/29/2009	FRIDAY	49	49	8	1	0	4	16.33%	12.50%	85.71%
SINGLE			86	86	24	0	0	0	27.91%	0.00%	72.09%
SINGLE	06/26/2009	FRIDAY	70	70	32	4	0	0	45.71%	12.50%	60.00%
SINGLE	07/20/2009	MONDAY	104	103	25	1	0	0	24.27%	4.00%	76.70%
MASTER	08/27/2009	THURSDAY	62	62	14	0	N/A	0	22.58%	0.00%	77.42%
SINGLE			44	43	9	0	0	1	20.93%	0.00%	79.07%
MASTER	09/30/2009	WEDNESDAY	51	51	16	2	N/A	0	31.37%	12.50%	72.55%
SINGLE			20	20	6	0	0	2	30.00%	0.00%	70.00%
TOTAL - SINGLE METERS:			626	623	181	13	5	23	29.05%	7.18%	73.03%
TOTAL - MASTER METERS:			654	654	177	17	N/A	0	27.06%	9.60%	75.54%
OVERALL TOTALS:			1280	1277	358	30	5	23	28.03%	8.38%	74.31%
OVERALL AVERAGES:			71	71	20	2	1	1	28.03%	8.38%	74.31%