



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Kathie G. Brooks, Interim City Manager
FROM: James J. Sutter, Internal Auditor

DATE: January 7, 2013
AUDIT: Revenue Municipal Parking Permits
PERIOD: October 1, 2009 through September 30, 2012

This report is the result of a scheduled audit to verify that proper controls are in place to reasonably ensure the integrity, reliability, and accuracy of records pertaining to the issuance of revenue generating municipal parking permits while eliminating, reducing, or mitigating risks associated with the same.

INTRODUCTION

The Parking Department is responsible for the administration; permit safeguarding and issuance; enforcement; and overall oversight of different municipal parking permit programs created within the City to offer discounted parking rates to City residents, and non-resident employees of local businesses and at the same time, address their necessity to have access to parking often adversely impacted by heavy concentration of vehicles.

Some of the most popular parking programs currently in place include residential permit parking areas and corresponding permits; lot specific/facility specific municipal parking permits; residential visitor parking hang tags; hotel hangtags; special realtor permits; and hybrid vehicles incentive. Permit prices may vary for different geographical areas or zones within the City depending of different factors including, but not limited to, availability and capacity of parking spaces in the area, density and frequency of usage, among others. The following table extracted from the cashiering system used by the Parking Department illustrates the number of permit related transactions during our audit period and total revenues resulting from the same:

Permit Type	Permit related transactions	Total Revenues 3 years (10/1/09 – 9/30/12)
Municipal	22,604	\$2,406,604.13
Residential Decal	39,577	\$1,476,273.20
Residential Hang Tag/Visitors	476,582	\$507,193.00
Realtor Permits	2,270	\$1,225.75
Hybrid Vehicle	490	\$40,819.82
Hotel Hang Tags	50,780	\$410,922.80
Caregiver	20	\$546.00
Temples on Street	370	\$220.00
Totals	592,693	\$4,843,804.70

Permit application and related documentation can be submitted in person at the first floor of the City Hall Garage, located at the corner of 18th Street and Meridian Avenue. For resident

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permits, the applicant has to provide the vehicle description and registration, as well as proof of City residency. Meanwhile, municipal permits (lot specific permits) are available in a first come, first serve available space basis.

Because permits issued for any specific lot cannot exceed 50% of the available spaces in the corresponding lot, the Parking Department maintains waiting lists for those locations with high demand for permits that have reached the maximum amount of permits allowable. Once issued, permits not renewed by the specified date, which may vary depending on the permit, zone, and period of time purchased, then the next person in the waiting list is provided with the opportunity to purchase a new permit. Should the individual, who allowed the permit to expire without prompt renewal, still desire to have a permit, then he or she would be placed on the waiting list as a new entry. Additional information regarding fee requirements and restrictions regarding all revenue generating parking permits can be found in the Parking Department's portal on the City's web-site, as well as in Chapter 106 of the City Code.

OVERALL OPINION

One of the many responsibilities of the Parking Department is the administration, safeguarding, and enforcement of revenue generating parking permits issued to residents and other individuals through different programs. Results from our audit of the operation showed that despite having proper documentation supporting all parking permit decal requests and not having any shortages in permit decal inventory, the following opportunities, efficiencies, and improvements were identified:

- No supporting documentation was provided by the Parking Department to substantiate and establish authority with respect to seven (7) out of 16 existing restricted residential zones and permit rates charged.
- Weaknesses in operational controls were observed with respect to the accountability, enforcement, and record keeping of temporary parking permits issued.
- Revisions and updates may be required for Chapter 106, Article II, Division 1, Section 106-55(k) regarding current restricted residential zones.
- No policies and procedures have been documented and approved with respect to Revenue Parking Permit Inventories and corresponding internal accountability.
- Inventory of un-assigned permits and cashier-assigned permits are kept in the same closet which remains unlocked during the day and accessed by multiple individuals.
- Prices for municipal permits/lot specific permits issued for locations south of 23rd Street do not consider the higher intrinsic value resulting from a higher parking hourly rate in the zone, as well as a higher demand for parking.

Additional details regarding these areas in need of corrective action and/or improvements can be found on the "Finding, Recommendations, and Responses" section on this report.

PURPOSE

The purpose of this audit is to verify that proper controls are in place to maintain integrity, reliability and accuracy of the revenue generating municipal parking permit operations and related documentation; verify that proper controls exist to prevent, eliminate, or mitigate any

misuse of the permits; verify that permits are issued in accordance to City policy; as well as verify accountability and the overall process to identify efficiencies, if any.

SCOPE

1. Confirm that there are updated and documented policies and procedures consistently followed to ensure accurate recording and processing of revenue generating parking permits.
2. Confirm that revenue generating parking permits and related transactions are properly accounted for, economically and efficiently processed, reviewed, approved, adequately documented, and correctly recorded in accordance with administrative policies and procedures.
3. Confirm the adequacy of internal controls with respect to limiting access to permits (issued and/or un-issued) to ensure accountability, while preventing unauthorized uses of the same.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

1. Finding - *No supporting documentation was provided by the Parking Department to substantiate and establish authority with respect to certain existing residential zones and permit rates charged.*

No supporting documentation was readily available and provided for review regarding the following observations:

- a) Chapter 106, Article II, Division 2, Section 106-78(c) requires, once procedures established in Section 106-78(a) and 106-78(b) are followed, that the city commission must, by resolution, approve or disapprove the creation of the residential parking permit area. However, no resolutions were provided and/or readily available with respect to residential zones 6 (Indian Creek), 7 (Meridian Ave), 8 (Bonita Drive), 10 (Sunset Harbor), 15 (Altos del Mar), 16 (19th Street/Michigan), and 17 (Bayshore).
- b) Additional research was conducted with respect to residential zone 8 (Bonita Drive) after observing that the zone had not been included in a permit rates by zone log/fee schedule provided by the Parking Department despite being referenced on Chapter 106, Article II, Division 1, Section 106-55(k). Personnel from the Parking Department stated that the zone had been deemed inactive, since no permits were being purchased for this zone. As a result, the fee schedule did not include the zone. Nonetheless, no support regarding commission action to dissolve the residential zone was available to support it and no resolution, as reflected on the above finding, was provided and/or available to document its creation despite being reference on the City Code.
- c) Following the Commission's approval, by resolution, of a residential zone, Chapter 106, Article II, Division 2, Section 106-79(c) of the City Code states that "*Permit fees, if any, shall be approved by resolution of the City Commission. The city manager or his designee shall calculate the permit fees based on the actual cost of manufacture and installation of pertinent signs, applications, permits, and administrative costs in connection with the issuance of permits and present recommended fees to the city commission for approval*". No resolutions were provided by the Parking Department

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and/or readily available for review supporting and establishing current rates charged for residential parking permits.

- d) Chapter 106, Article II, Division 1, Section 106-55(d) for Special realtor permits states that "parking placard permits are available to realtors licensed in the city at a rate of \$5.00 per permit placard, per month, plus applicable sales tax". Current rates charged (10 daily scratch tags for \$5.35) differ from such stipulations. Other provisions and/or restrictions regarding realtor permits were provided in the same section.
- e) No supporting documentation reflecting commission approval, either through ordinance or resolution, was provided by the Parking Department and/or readily available for review in reference to a Finance and Citywide Projects Committee recommendation for City Commission approval from their March 09, 2005 meeting regarding the Shane Watersports Center. The Committee recommendation included a number of provisions, including parking permits to be provided to the center under certain covenants and/or conditions. As a result, the Parking Department has been selling hang tags to the center at purchase price. As many as 300 hangtags have been provided at times per Shane Center representative's request to be used in a public surfaced parking lot located on 65th Street and Indian Creek. However, no support was found and has been provided by the Parking Department or is readily available with respect to final conditions, agreements, and/or Commission approval providing authority to issue these permits. Same lack of supporting documentation exists with respect to establishing authority for on-street permits issued to temples and/or religious facilities.

Recommendation(s)

The Parking Department should actively maintain, document, and continuously monitor and update a file with authoritative support and documentation with respect to parking programs and rates, as approved by the Mayor and City Commission. In addition, adequate research should be completed to ensure proper support and authority to current parking programs and rates exists and is documented. Corrective actions should consider possible system fee rates reconfiguration and programming, as well as City Commission approvals whenever necessary and applicable. Furthermore, authoritative documentation, including Mayor and Commission approvals, should be sought by the Parking Department to address these findings, ensure compliance to the City Code, and prevent and/or avoid any impact as a result.

Management's Response(s)

- a. The Parking Department will pursue an amendment to the City Code and include the aforementioned residential parking zones that are were not referenced in the Code. This shall take place during the next amendment to Section 106 of the City Code.
- b. Please refer to 1(a) above. Also, Zone 8/Bonita Drive is currently inactive due to lack of utilization.
- c. Please refer to 1(a) above.
- d. Please refer to 1(a) above. Also, the amendment to the City Code will include a transition from permit placards to scratch-off hangtags.
- e. The Office of Real Estate, Housing, and Community Development will pursue an

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amendment to the MB Watersports Agreement to include the referenced hang-tag parking program. In regards to the House of Worship Parking Program, the Parking Department will pursue an amendment to Section 106 of the City Code to include said program.

2. Finding - *Weaknesses in operational controls were observed with respect to the accountability, enforcement, and record keeping of temporary parking permits issued.*

Temporary permits are physically created by using a cardboard with the city logo and identifying the location and expiration date for the permit being created. A non-sequential number, with respect to the overall inventory of temporary permits issued at a given time, but sequentially with respect to the number of permits issued by the same cashier/customer service representative, is assigned to the permits before being distributed. These permits are printed in an ongoing basis to various permit holders and are not required to be returned. However, no inventory or controls are established in order to monitor the number of temporary permits printed at any given time.

As a control, a holographic sticker with the Miami Beach Parking Department logo is affixed to the cardboard in order to validate the permit and differentiate it from any other ordinary printed cardboard. The sticker is affixed in an attempt to make it easier for the enforcement officer to distinguish between a valid permit issued by the Parking Department and any other ordinarily printed cardboard. However existing stickers can be cut and pasted to other cardboards easily, therefore making it harder to prevent or mitigate illegal reproduction or misuses of the permits. As a result, effective enforcement can be difficult. In addition, no inventory controls are currently in place with respect to the accountability of stickers purchased, issued, and on-hand.

Recommendation(s)

Although it is foreseen that these operational weaknesses could be addressed with the implementation of a new pay-by-plate permitting system currently being procured, the Parking Department should consider in the mean time to maintain easily accessible records regarding inventory of temporary permits in use and corresponding expiration dates. At the same time, implementing an inventory reconciliation of the number of holographic stickers used compared to the number of temporary permits issued should help to strengthen internal controls. Sequentially numbering the stickers could make it easier to accomplish this objective.

Management's Response(s)

The Parking Department and Finance Department will pursue enhanced internal controls for temporary permits until the pay by license plate permitting system is in place.

3. Finding - *Revisions and updates may be required for Chapter 106, Article II, Division 1, Section 106-55(k) regarding current restricted residential zones.*

Residential zones reflected under Chapter 106, Article II, Division 1, Section 106-55(k) include zones 1 through 8. As referenced on findings one (1) and two (2) above on this report, this listing does not accurately reflect current active residential zones and therefore should be updated.

Recommendation(s)

Revisions to reflect current restricted residential zones should be presented to the Mayor

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and City Commission for approval. Alternatively and considering that other section requirements in chapter 106 of the code already provide stipulations for the documentation and creation of residential zones, the Parking Department could consider recommending the deletion of this section from the code for approval of the Mayor and Commission, since this section serve for illustrative purposes only and no restrictions, covenants or provisions are included in the same.

Management's Response(s)

The Parking Department will recommend the deletion of Section 106-55(k) since currently its reference in the City Code is strictly for illustrative purposes.

4. Finding - *No policies and procedures have been documented and approved with respect to Revenue Parking Permit Inventories and corresponding internal accountability.*

Although the current Supervisor/Financial Analyst in charge of the accountability and safeguarding of the revenue generating municipal parking permits have implemented processes and supporting documentation for permit inventory accountability and reconciliation, no policies and procedures with respect to required documentation, record retention requirements and departmental operational procedures have been documented and approved to ensure continuity and to be consistently followed. The same was observed for responsibilities and processes involving parking permit issuance, inventories, controls, and reconciliations.

Recommendation(s)

Policies and procedures considering internal controls should be documented and approved to be consistently applied and followed by all related personnel.

Management's Response(s)

The Parking Department concurs. Policies and procedures will be developed and implemented.

5. Finding - *Inventory of un-assigned permits and cashier-assigned permits are kept in the same closet which remains unlocked during the day and accessed by multiple individuals.*

Permits that have not been assigned to customer service representatives/cashiers to be sold are being stored in a locking key closet where permits that have already been assigned to each individual customer service representative/cashier to be sold are stored as well. As a result, the closet remains open during hours of operation and access to the same is available to all customer service personnel/cashiers when in the area. In addition, since assigned permits are stored in the same closet, every time a customer service representative/cashier takes a lunch break and/or starts or ends a shift, he or she stores his/her assigned permits in the closet. Therefore, it could be very difficult to affix any responsibility to any one person should any of the un-assigned, un-issued permits be misappropriated.

Recommendation(s)

A separate locked box or an alternative location should be considered to store the un-issued, un-assigned permits. They should not be accessible to the customer service representatives/cashiers. Therefore mitigating risks of misappropriation, as well as improving the probability of detection and identification of perpetrator(s) in the event misappropriation occurs.

Management's Response(s)

Agreed. Currently, a supervisor opens the safe at the start of the first shift to issue the assigned permits to each cashier and immediately locks the safe. The safe remains closed until the cashiers on the second shift need to access their permits. The safe is only opened again when cashiers are ready to return their assigned permits at the end of their shift or if additional permits are needed throughout the day. In each case the supervisor opens the safe and either receives the cashiers' permits or assigns and logs the additional permits needed.

6. Finding - *Prices for municipal permits/lot specific permits issued for locations south of 23rd Street do not consider the higher intrinsic value resulting from a higher parking hourly rate in the zone, as well as a higher demand for parking.*

Lot specific municipal permits are available in a first come, first serve, available parking space basis. This permits allow the permit holder, whether a resident or not, to park in a specific permit location/surface lot at discounted rates. Municipal permits for specific surfaced parking lots are currently sold at \$70.00 plus tax regardless of location in the City. However, with a recent increase in metered parking hourly rate for metered parking spaces south of 23rd Street, the intrinsic value of municipal parking permits for metered surfaced lots south of 23rd Street is higher. In addition, it indirectly provides a higher discount to permit holders parking south of 23rd street than the discount provided to permit holders north of the same.

Recommendation(s)

In an effort to equitably provide discounts to municipal permit holders, and at the same time, account for the additional intrinsic value of a higher parking rate and demand for those municipal permits allowing to park south of 23rd Street, a proportional increase to the rates charged for municipal permits allowing to park south of 23rd Street should be considered and proposed to the city commission for approval.

Management's Response(s)

The Parking Department will research and provide recommendations for the municipal parking permit rate. This will be addressed as a component of the Parking Department's budget process.

EXIT CONFERENCE

An exit meeting was held on December 11, 2012 to discuss the audit report and to solicit management responses noted above. Attendees were Saul Frances, Parking Director; Sasha Gonzalez, Financial Analyst; James Sutter, Internal Auditor and Fidel Miranda, Auditor. Management responses were received thereafter. All were in agreement with the contents of this report.

Audit performed by Fidel Miranda, Auditor and Mark Coolidge, Senior Auditor
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