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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: June 16, 2011

SUBJECT: SUMMARY OF OBSERVATIONS FOR PARKING REVIEWS PERFORMED DURING
FY2009/2010

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 0.18% from last year when it was averaged at 8.38%. 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 2010, a total of four (4) Coin Room, four (4) Attended Lots, and twenty three (23) 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 November 18, 2009, and on March 31, April 20, and September 24, of 2010 to review the Coin Room's daily operations at the first floor of 309 23rd Street and later at the first floor of the City Hall's new garage location. The following summarizes our findings and observations:

- a) Despite the many advantages of Parkfolio, some master meter numbers programmed in the system's database continue to differ from the actual assigned physical numbers on the equipment. Although some have been already corrected, this represents a challenge for collectors since it can be difficult to identify the machine assigned for collection. This finding had been reported on previous reviews and it continued to be a work in progress.
- b) Minor discrepancies were observed between the number of single space meters audited by the collectors, using the hand held computers during collection, and the number of single space meters opened for collection, as reflected on reports generated from the Medeco programmable key system, during the previous collection. These minor differences were observed in most areas except on Zone 15A and Zone 16A where greater differences were noted. These differences could be the result of single space meters being collected, but not audited, using the hand held computers. In addition, some of the minor differences experienced could also be the result of either a handheld computer malfunction and/or the reader not being properly inserted into the single meter.

Continuing this pattern represents a departure by the collectors from established policies and procedures for the collection process. Furthermore, information gathered from these single space meter audits is fundamental, used as a compensating control, and reconciling item over revenues collected. As a result, this finding should be immediately communicated to the Contractor and its employees in order to prevent reoccurrence. Concurrently, in the event a meter is collected, but not audited due to computer malfunction, the meter number should be identified and the collector should immediately communicate to the coin room in order to receive a replacement handheld in good standing.

- c) The "Collection Activity Summary" from the Medeco programmable key system (Nexgen Security Manager Parking) is supposed to show a count of all single meters operating at each zone throughout the City. In addition, it should provide a unique count (meters opened counted once even if key inserted multiple times) of meters opened for collection and a number of meters skipped, if any. However, after reviewing the systems database used to activate and program the keys, Internal Audit found discrepancies in the total number of single space meters shown as operational in certain zones between the two sources. The causes for the differences should be identified and corrected as soon as possible.

Finally, considering the current technology and resources available, Internal Audit recommends revising the acceptable reconciliation variance percentage, currently set at five percent (5%) to lower levels more reflective of the current operation and resources for improved controls. Also, any variance experienced in any particular collection zone and above the acceptable reconciliation variance threshold should be researched, documented, and explained including factual results from the research.

- d) Every morning at 6:00am during weekdays the Meter Technicians punch in as on-duty at the

meter shop, located at 1837 Bay Road. They then drive to the coin room where they wait until all canisters and equipment are distributed to the collectors in order to receive their maintenance keys from the coin room staff. Usually that does not happen until 7:00am or 7:30am.

Internal Audit recommends considering storing and distributing the technician's keys at the meter shop. The assignment, signing out, and signing in process, currently performed by coin room staff can be performed and controlled by the On-Street Operations Manager and the Parking Operations Supervisor. Implementing this recommendation could reduce the potential for unwanted attention to the coin room, as well as allowing the meter technicians to start sooner in their daily operations and experience potential savings by avoiding the commute to the coin room, unless being assigned to escort the collectors for that day.

- e) Another observation made was with respect to the number of meter technicians assigned to follow the meter collectors during the meter revenue collection process. Historically, two meter technicians per collection vehicle are being assigned to follow the meter collectors while performing the daily meter revenue collection. The technician's responsibility during this process is to be available in case a meter does not open, or to perform immediate maintenance to facilitate collection.

Because there are three (3) collection vehicles, a total of six (6) meter technicians are assigned Monday through Friday to follow the meter collectors during the collection process. Considering that there are a total of ten (10) meter technicians overall in the City, that means that performing this task absorbs sixty percent (60%) of the meter technician human capital available. Internal Audit opines that utilizing so much of the City's technician resources does not provide for an optimal utilization of resources and time.

Under this premise, Internal Audit recommends to consider options that could ultimately reduce the number of meter technicians assigned to the meter revenue collection process. By assigning fewer technicians to the collection process would allow them to focus on meter maintenance and other projects as required that would ultimately result in less meter malfunctions during the collection process.

- f) A total of 29 single space meters scheduled for removal and deleted from the Medeco programmable key database were still present in the zone and were not properly bagged. As a result, there is a high probability that coins were fed to the meter by transient vehicles parking in the location. However, by removing them from the collection programmable key, it was impossible for the meter collectors to open the meter vaults and collect revenues in those meters. In addition, it did not prevent the meter collectors from attempting to collect them since no bags were placed. Better coordination between the scheduling, bagging and/or removing the meters should help in preventing confusion and delays in collection process.
- g) With respect to the responsibilities set and agreed by the Meter Collection Service Provider (Standard Parking), Internal Audit was able to confirm that two out of the three collection vehicles used for the daily collection did not have functioning air conditioning, which is a direct contradiction to requirements of the governing RFP. In addition, the tires on one of the collection vehicles seemed worn out, particularly the front right tire. Internal Audit recommends communicating these deficiencies to the contractor for immediate corrective action in order to comply with RFP requirements.

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) Although, multi-space meters are not relocated frequently, these changes do occur. This is done as a coordinated effort with the vendor, but there is an inevitable lag time between the changes of the multi-space meter numbers. This is communicated to the collectors to avoid confusion.

First the new number is requested to the vendor for activation; second the number is tested in parkfolio for operability and to verify communication; once this is confirmed the actual on-street relocation takes place and the machine number is replaced. If these steps are not followed in this order the machines will not communicate or accept credit card transactions. The old number remains in the inactive list for six (6) months for retention of revenue history.

- b) Agreed. We communicate these issues with the contractor. The handheld auditing devices are checked daily before being issued to the collectors for correct time, date and to ensure that they are working properly. Collectors inform the coin room staff of any malfunctioning devices. However, sometimes this malfunction is not discovered until after the reports are downloaded. Although these issues may occur, we handle them on a case by case basis depending on the circumstances.
- c) It is important to note that the equipment used is from different vendors, i.e. the single space mechanisms are from MacKay, the single space electronic locks on the doors are from Medeco; these systems do not communicate and are intended to function as stand-alone systems. The differences may occur from a number of different circumstances in the field.

In regards to your recommendation to revise the 5% standard and to research, document and explain each variance will be taken under advisement. This recommendation would require additional staffing resources in order to implement.

- d) Internal Audit's recommendations were noted and changes were made to the time the Meter Technicians pick-up and turn-in their keys. However, in order to keep better control of the keys, the Parking Department will continue to store the keys in the coin room, since it is equipped with the proper security features to safeguard this equipment.
- e) Completed.
- f) Agreed.
- g) This has been addressed with the contractor; however, the contractor is still not in compliance.

ATTENDED LOTS OPERATION REVIEW FINDINGS:

Attended Lots 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 January 31, February 12 and 15, March 28, and September 11 to different attended lots were conducted during FY 2010. The following summarizes the results from our observations and walk through during our visits:

- a) An option to either pay the flat event rate or feed the meters was being offered to patrons at all attended lots. Although having the option to pay the meter provides flexibility for visitors and residents parking for short periods of time, it becomes a challenge for the attendants to control the enforcement and compliance in the lot. In order to seek enforcement, the attendants would have to be continuously walking the lots in order to verify compliance instead of focusing on providing customer service and directing traffic to better manage the flow, operations, and capacity in the lot.

In addition, providing the option to feed the meter on the 46th Street lot, which remains open past the hours of enforcement in that zone, becomes a greater challenge as meters in that zone are enforced until 6:00pm only. Individuals paying the meters would only be required to pay until 6:00pm, but may stay later.

Providing the option to feed the meters defeats the purpose of attending the lot and applying the event flat rate at the lot. Most of the time is not even cost effective or economically sound to attend the lot when providing this option, since very few tickets at the flat event rate are sold and the costs of attending the lots exceed the realized incremental revenues as a result of the flat event rate. This is because feeding the meter is more affordable since any patron parking for less than twelve (12) hours would pay less than the flat rate of \$15.00.

Based on all these factors, Internal Audit recommends to cease offering the option to buy increments of time through feeding the meters once a lot is been declared to be servicing an event (event lot) and a flat event rate is offered through the attendants.

- b) Poor coordination, traffic controls, and preparedness was observed during the 2010 Home Show. A major factor contributing to road blocks and traffic congestion in areas surrounding the Preferred Lot (P-Lot), North of City Hall, was placing the valet operation storage at the new garage located to the west of City Hall. This increased the flow of traffic on 18th street as a result of vehicles being parked and returned to the valet customers. These events drastically impacted the service level expected from the valet parking operation, as well as worsening traffic conditions to the P-Lot.

Better pre-event planning should take place to prevent or better react to adversities experienced during special events and ensure a higher quality of services rendered to event goers, as well as event promoters and exhibitors.

- c) Lack of enforcement of the attended lots were experienced throughout the four reviews performed during the fiscal year, partly because of a lack of communication between the attendants, the attendant's supervisors and parking enforcement. In order to prevent this in the future, Internal Audit recommends training and reminding the attendants to periodically review the lot for violations, and immediately communicate those violations observed for enforcement. In addition, a more proactive approach from enforcement by conducting periodic random reviews of the lots, as well as better response to requests for enforcement from the attendants should help to minimize and/or better capture the number of violations experienced in the lots.

Management Response(s):

- a) Parking Administration understands Internal Audits' recommendation, however, from a customers' service approach, we allow Miami Beach resident short term parkers (less than 3 hours) to pay the parking meter in lieu of the flat rate. Please note that these residents are

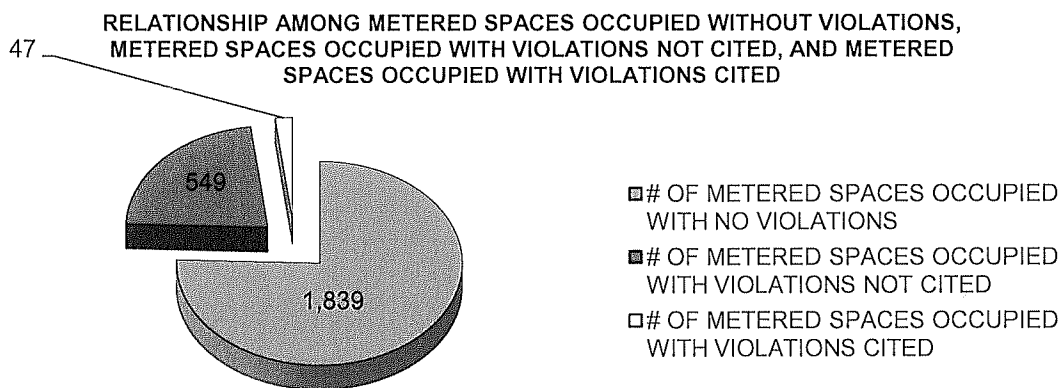
paying the hourly meter rate for the period of time used. If they exceed the time, they are cited accordingly.

- b) The City Hall Garage opened in late November 2009, there was a learning curve regarding all major events that take place at the Convention Center, Lincoln Road, Filmore and NWS. The valet storage was transitioned to the City Hall Garage immediately after the 2010 Boat Show. This also exacerbated the aforementioned learning curve. The Parking Department now has a traffic plan in place that addresses traffic flow in the area.
- c) We have instructed the contractor to have their personnel communicate with the City supervisor when enforcement is needed.

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 dated June 28th, 2000. 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 the twenty-three (23) reviews performed this fiscal year 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. To better illustrate this relationship for the past fiscal year the following chart was created using the results from our reviews:



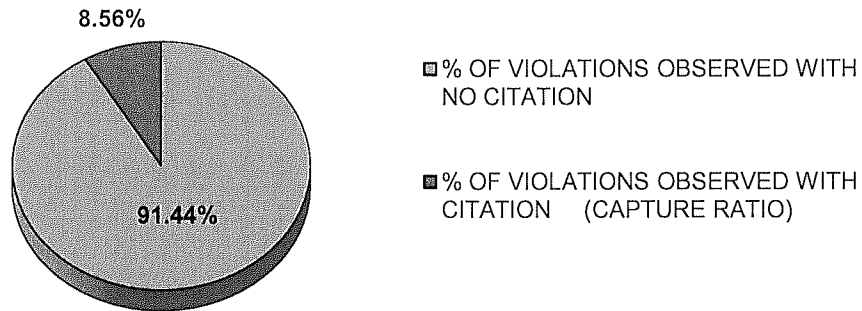
Note: Total number of occupied metered spaces tested was 2,435.

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 79.38%. This means that approximately out of every one hundred (100) occupied metered spaces in the City,

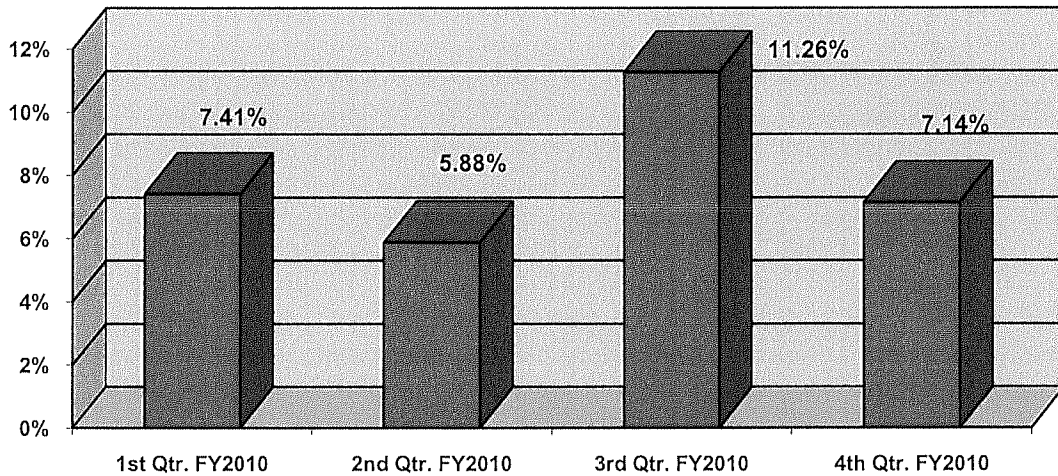
approximately seventy-nine (79) were not in violation and/or the violation was cited. This represents a slight improvement from last year when this ratio was 74.31%.

- b) An average Enforcement Capture Ratio of 8.56% 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 8.38% observed in the previous fiscal year. The following charts helps to illustrate the average capture ratio resulting from our reviews:

AVERAGE ENFORCEMENT CAPTURE RATIO
(# OF CITED VIOLATIONS DIVIDED BY THE TOTAL VIOLATIONS OBSERVED)



AVERAGE QUARTERLY ENFORCEMENT CAPTURE RATIO
(FISCAL YEAR 2010)



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:

- Poorly written and/or incomplete Daily Activity Reports by the enforcement officers.
- Errors regarding vehicle and zones of enforcement assignments to the officers on the Enforcement Division Daily Schedule, prepared by the shift supervisors.
- Contradicting information with respect to actual observations was entered on the Enforcement Division Daily Activity reports.

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.

- c) Throughout the last few Meter Operation and Enforcement Reviews performed, Internal Audit has noticed an increase in multi-space meter receipts displayed with expiration on the following date. One probable cause is that moneys inserted into the multi-space meter station for credit beyond the enforcement hours generate a receipt which allocates the excess credits to the following day. This is a fair practice since the patron does not lose moneys already inserted if the patron intends to park the next day on the same area.

However, considering that there are two different parking zones in the City, offering different rates for metered parking and different hours of enforcement, it is possible that an increasing number of patrons could be depositing moneys on multi-space meter stations north of 23rd Street, where the metered parking rate is \$1.00 per hour, beyond enforcement hours and using the receipt, valid until the next day, on more expensive metered spaces South of 23rd Street, where metered parking rate is \$1.25 per hour. This would represent a loss of revenue to the City per metered space using this strategy.

In addition, individuals with knowledge of this opportunity could create a secondary market where they could buy multi-space meter time north of 23rd beyond enforcement hours and resale it at standard rates south of 23rd for a profit.

With this in mind, Internal Audit recommends to examine the possibility of purchasing different color receipt paper to help differentiate multi-space meter receipts/tickets purchased north of 23rd Street from those purchased in the South. If implemented, the department should create and document enforcement policies and procedures allowing multi-space meter tickets purchased on the north to be valid only north of 23rd Street, while allowing those purchased south of 23rd, to be valid Citywide.

Management Response(s):

- a) We will continue to strive to improve the meter compliance ratio.
- b) We will continue to strive to improve the meter capture ratio. The procedures for the Daily Activity report have been amended to require the officer to report their productivity hourly throughout their shift. Additionally, shift supervisors are required to review their subordinates' daily activity reports for accuracy and completeness.
- c) This initiative is in progress.

(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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OBPI - INTERNAL AUDIT
 METER OPERATION AND ENFORCEMENT SUMMARY
 From Nov. 2009 to Sept. 2010

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	% OF METERS ELIGIBLE FOR CITATIONS	METER ENFORCEMENT CAPTURE RATIO	METER COMPLIANCE RATIO
SINGLE	10/27/2009	TUESDAY	81	81	17	2	0	4	20.99%	11.76%	81.48%
MASTER	11/16/2009	MONDAY	105	105	10	0	0	0	9.52%	0.00%	90.48%
MASTER	01/29/2010	FRIDAY	79	79	19	0	0	0	24.05%	0.00%	75.95%
SINGLE			52	52	14	0	0	0	26.92%	0.00%	73.08%
MASTER	02/27/2010	SATURDAY	80	80	15	0	0	0	18.75%	0.00%	81.25%
SINGLE			25	25	10	0	0	0	40.00%	0.00%	60.00%
MASTER	03/31/2010	WEDNESDAY	114	114	27	5	0	0	23.68%	18.52%	80.70%
MASTER	04/16/2010	FRIDAY	120	120	39	2	0	0	32.50%	5.13%	69.17%
SINGLE			11	11	5	0	0	1	45.45%	0.00%	54.55%
MASTER	04/21/2010	WEDNESDAY	155	155	18	0	0	0	11.61%	0.00%	88.39%
SINGLE			4	4	3	0	0	0	75.00%	0.00%	25.00%
SINGLE	04/29/2010	THURSDAY	63	63	29	0	0	2	46.03%	0.00%	53.97%
MASTER	05/14/2010	FRIDAY	108	108	26	0	0	0	24.07%	0.00%	75.93%
MASTER	05/21/2010	FRIDAY	108	108	12	6	0	0	11.11%	50.00%	94.44%
MASTER	05/26/2010	WEDNESDAY	108	108	19	1	0	0	17.59%	5.26%	83.33%
SINGLE	06/06/2010	SUNDAY	86	86	34	9	0	3	39.53%	26.47%	70.93%
MASTER	06/21/2010	MONDAY	108	108	32	7	0	0	29.63%	21.88%	76.85%
MASTER	06/23/2010	WEDNESDAY	39	39	5	0	0	0	12.82%	0.00%	87.18%
SINGLE			69	69	19	1	0	3	27.54%	5.26%	73.91%
SINGLE	07/20/2010	TUESDAY	90	90	33	1	0	0	36.67%	3.03%	64.44%
MASTER	07/25/2010	SUNDAY	108	108	12	2	0	0	11.11%	16.67%	90.74%
MASTER	07/30/2010	FRIDAY	90	90	25	6	0	1	27.78%	24.00%	78.89%
SINGLE			18	18	8	0	0	0	44.44%	0.00%	55.56%
MASTER	08/19/2010	THURSDAY	136	136	16	0	0	0	11.76%	0.00%	88.24%
SINGLE	08/25/2010	WEDNESDAY	78	78	28	1	0	0	35.90%	3.57%	65.38%
MASTER	08/28/2010	SATURDAY	100	100	13	0	0	0	13.00%	0.00%	87.00%
MASTER	09/11/2010	SATURDAY	100	100	11	2	0	0	11.00%	18.18%	91.00%
MASTER	09/17/2010	FRIDAY	100	100	31	0	0	0	31.00%	0.00%	69.00%
MASTER	09/21/2010	TUESDAY	100	100	19	2	0	0	19.00%	10.53%	83.00%

TOTAL - SINGLE METERS:	577	577	200	14	0	13	34.66%	7.00%	67.76%
TOTAL - MASTER METERS:	1858	1858	349	33	0	1	18.78%	9.46%	82.99%

OVERALL TOTALS:	2435	2435	549	47	0	14	22.55%	8.56%	79.38%
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OVERALL AVERAGES:	83.97	83.97	18.93	1.62	0	0.48	22.55%	8.56%	79.38%
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