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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: January 30, 2009

SUBJECT: **SUMMARY OF OBSERVATIONS FOR PARKING REVIEWS PERFORMED DURING
FY 2007/2008**

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 minor 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 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.

Nonetheless, the enforcement capture ratio, calculated from our Meter Operation and Enforcement reviews, was lower than industry benchmarks, reflected on the J.L. Donoghue Evaluation of Parking System Revenue Control. This reduces 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 2008, a total of four (4) Coin Room, four (4) Attended Lots, and ten (10) Meter Operations and Enforcement reviews were conducted at different unannounced dates and times. Specific details and observations can be found on each of the individual memorandums remitted to the Parking Department throughout the year. 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 20, 2007, and on March 07th, May 13th, and August 26th, of 2008 to review the Coin Room's daily operations at the first floor of 309 23rd Street. The following summarizes our findings and observations:

- Numbers of the security bands placed on the older master meter coin and currency canisters were not being recorded and/or verified on a log sheet. These pre-numbered security bands represent a control to ensure that the canister has not been opened or exchanged. None the less, we recognize that on all the newer master meter machines fully operational there is no need to place or record the pre-numbered security band on the master meter currency or coin canisters (not feasible or needed for the newer mechanism). In order to address our observations, Coin Room Staff have developed a log sheet to record the numbers on the security bands placed on the older master meter machine models.
- Currency continues to jam inside the newer master meter currency canisters while in operation thereby making the currency option inoperable. We have suggested a faster implementation of a newer, more customized version of the currency canister that has been successfully tested by the department greatly reducing the incidence of currency jamming. Replacing all current master meter currency canisters with the improved version would not incur additional costs to the City due to arrangements made with the vendor, as a result of the malfunctions experienced. To address our comments, all the newer master meter currency canisters currently operating have been replaced by the improved version; therefore reducing the incidence of currency jamming to normal levels. Currency jamming could be experience due to wet bills and other externalities independent to the machine mechanism.
- Areas surrounding the coin and currency counters were not kept completely clear to help prevent potential hiding places for dropped or misappropriated revenues. Internal Audit has recommended maintaining the areas surrounding the counters clear to prevent misplacements of any revenues.
- Contractor's collection vehicles, as well as Brink's collection truck, were observed double parking on 23rd Street hindering traffic flow. Continuing to double park represents a hazard for pedestrians and other vehicles either parked, trying to incorporate to the traffic flow, or on opposite lanes. We have recommended to better enforcing the loading zone, adjacent to the Coin Room entrance, to prevent vehicles from parking for long periods of time and using instead the loading zone for the loading and unloading of the daily collection canisters. In addition, it was recommended to prevent vehicles from parking in front of the Coin Room during early hours on week days to provide parking for the Brink's Collection Truck. No feedback was received with respect to this particular observation.
- New "Medeco" keys with upgraded security features, important for the verification of the integrity of the collection process, should be implemented more quickly. These keys provide an accurate count of the meters in which the key was used, which should equal the number of meters audited and collected by the meter collectors. As a result, new Medeco keys have been implemented throughout the City with the exception of some areas on the middle section of the City and areas of the North End of the City. The parking department has expressed its commitment to implementing the key City wide.
- 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.

- Displaced marbles were observed on the single meter coin collection canisters. These marbles represent a security feature to ensure that the canister is not opened or flipped over to have access to the coins collected. Another reason for misplaced marbles was that collection vehicles were not properly set up to ensure that coin canisters do not fall when being transported. Every time displaced marbles were observed, they were recorded by coin room staff for consideration and possible corrective action; however, no additional control log is maintained by the Parking Department in order to analyze trends regarding frequency and/or patterns for similar incidents. As a result, we recommended maintaining a historical document to record observations of misplaced marbles for trend analysis and better outfitting the contractor's collection vehicles so that the coin canisters remain steady. To address our observations, the department has discussed the importance of proper placement of the coin canisters and mentioned that will implement a log sheet to record all incidents for historical and trend analysis.
- During one of our reviews, we became aware of an incident where some single meter coin containers seemed to have been intentionally forced to open by unidentified unauthorized individuals. The incident was discovered by a meter technician during a routine maintenance. The Parking Department investigated the incident and was unable to identify the individual or individuals responsible. However, as a cautionary measure, the contractor was asked to replace the entire collection crew. No other incidents of similar nature have come to our attention.

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):

The Parking department has worked closely with Internal Audit to implement measures to address each of the items mentioned above. The recommendations/measures noted above have been incorporated successfully to the daily process.

The Parking department has completed the upgrade of the multi space pay stations and there has been a significant reduction in the currency jams. Additionally, inside the coin room, the area surrounding the currency counters has been cleared to prevent any potential hiding places.

The availability of parking in front of the coin room has been an ongoing challenge. The contractors have been contacted regarding double parking and have been told to park in the loading zone.

The Parking Department continues to be committed to the completion of the installation of the Medeco key system on the single space meters throughout the City. The process is nearing completion.

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. All observations and/or irregularities are then reported via interoffice memorandum to the Parking Department. Multiple visits on different dates to different attended lots were conducted during FY 2008, which results were reflected in separate memorandums. The following summarizes the results from our observations and walk throughs included on those memorandums:

- All observed vehicles who paid received a valid pre-numbered ticket when entering the lot.
- All tickets observed on the dash boards of parked vehicles concurred with the sequences of issued ticket books.
- Payment options were provided to customers trying to find parking in some of the attended lots. They could pay the flat fee, feed the meters, or display a valid master meter ticket on the dash board. These options made it harder for the attendants to keep control of the lot capacity and/or parked vehicle violations. In addition, proper enforcement would require more frequent visits from parking enforcement to ensure that all occupied spaces were paid for through any of these means. As a result, we suggested either attending the lot and not allowing any other options, or not attending the lot and allowing regular metered parking.
- Un-reported parking violations were observed during our visits. As a result, we recommended enhancing communication between the lot attendants and parking off-street supervisor in order to inform Enforcement of such violations and ensure their capture.
- All ticket sale reconciliations were completed timely and any discrepancies were repaid to the City by the contractor/contractor employees.
- Vehicles were observed parking on the Preferred Lot (P-Lot) located adjacent to the North of City Hall displaying "CH" decals that did not display a permit number and in some cases, not properly affixed to the vehicle's windshield. As a result, further testing was performed on seven decals with the Parking Administration to determine their validity. After comparing the description of the vehicles observed to the Parking Department's records, four out of the seven decals tested did not match the department's records. As a result of our finding, the Parking Enforcement Division was immediately notified and a citywide e-mail was sent reminding all City employees to update their decals and records with the department in order to prevent being cited.

Management Response(s):

The Parking Department ideally recommends attended pay and display lots have a single flat rate or operate as metered facilities. This simplifies and enhances fiscal controls and audit processes. However, a hybrid operation is required to meet the challenges and demands of the land uses each facility serves. This accommodation is a reasonable effort to provide parking for those short term parking users. This accommodation does serve the greater good from the perspective of serving all users.

The Preferred Parking Lot serves many uses and has many challenges. Historically, this facility has been a challenge for previous and current labor contractors. The Contractor is aware and does contact a City Supervisor when a conflict arises. The Contractor has no way of knowing if the permit displayed is valid or applicable to a specific vehicle. It is their responsibility to contact a City Supervisor for direction.

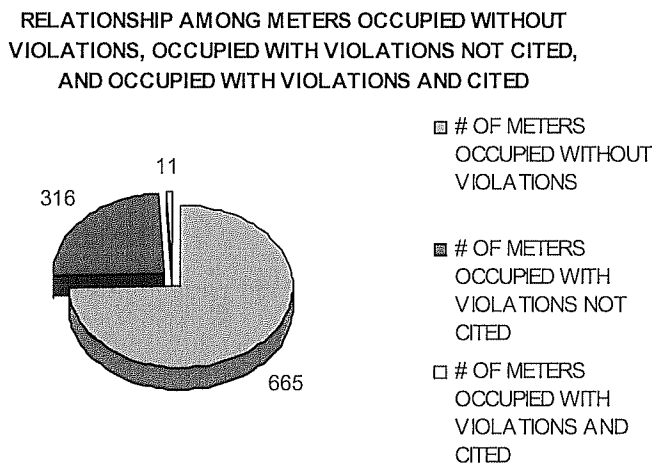
The Parking Department will continue to stress the importance of controlling facilities. Vehicles do gain access to lots prior to opening and the Contractor must conduct an inventory of vehicles present at the time of opening.

METER OPERATION AND ENFORCEMENT REVIEW FINDINGS:

Meter Operation and Enforcement reviews are performed throughout the year in order to confirm that

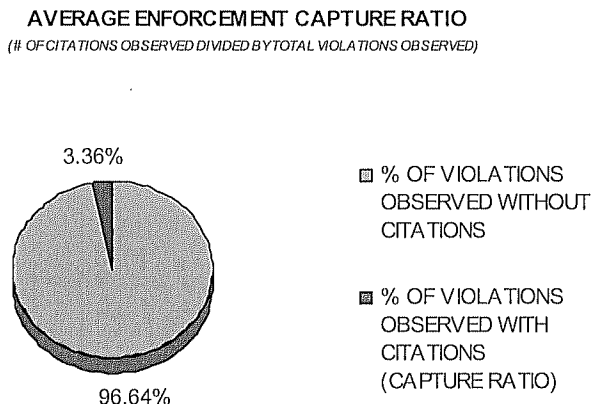
the number of citations issued and observed divided by the number of violations observed is at least 25%, as recommended by the J.L. Donoghue Evaluation of Parking System Revenue Control. This ratio is also known as the Enforcement Capture Ratio. Internal Audit also verifies whether meters are in good 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, and any irregularities are immediately reported to the appropriate division of the Parking Department. Exhibit 1, later attached reflects results from our reviews. In addition we have summarized results from our reviews as follows:

- Using the results from our reviews we estimate that an approximately one (1) every three (3) metered spaces occupied in the City is in violation and approximately one (1) out of thirty (30) of those in violation and eligible for citation is captured. To better illustrate this relationship the following chart was created using the results from our reviews:

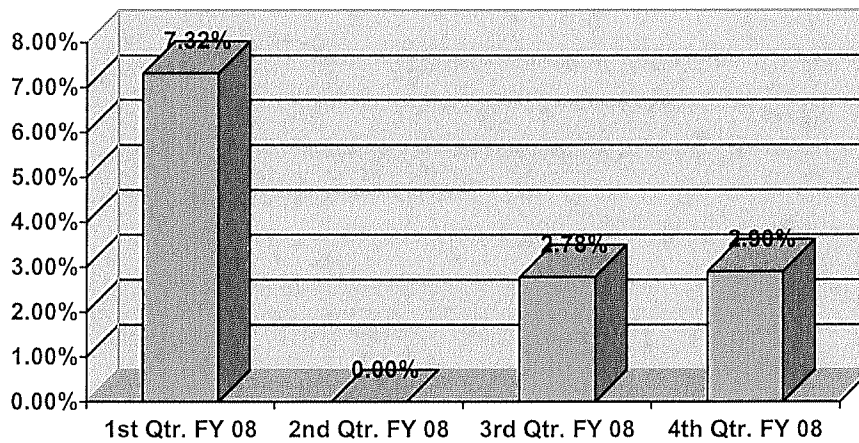


Note: Total number of occupied metered spaces tested was 992.

- An average Enforcement Capture Ratio of 3.36% was observed to be less than desired industry benchmark of 25%, as per the J.L. Donoghue Evaluation of Parking System Revenue Controls. The following charts helps to illustrate the average capture ratio resulting from our reviews:



AVERAGE QUARTERLY ENFORCEMENT CAPTURE RATIO
(FISCAL YEAR 2008)



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

Management Response(s):

The Parking Department and Internal Audit will review the audit process in an effort to enhance existing procedures in order to more accurately reflect the actual enforcement capture ratio.

CC: Tim Hemstreet, 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. 2007 to Sept. 2008

EXHIBIT 1

METER TYPE	DATE	DAY OF WEEK	TOTAL # OF METERS TESTED	# OF METERS OCCUPIED	# OF VIOLATIONS OBSERVED	# OF CITATIONS OBSERVED	# OF BAGGED SINGLE METERS	# OF DEFECTIVE METERS	% OF METERS ELIGIBLE FOR CITATIONS	METER ENFORCEMENT CAPTURE RATIO
MASTER	11/30/07	FRIDAY	211	211	46	4	N/A	0	21.80%	8.70%
SINGLE			5	2	2	0	0	1	100.00%	0.00%
SINGLE	12/28/07	FRIDAY	88	84	34	2	0	4	40.48%	5.88%
MASTER	03/06/08	THURSDAY	89	89	16	0	N/A	0	17.98%	0.00%
SINGLE			22	13	5	0	5	10	38.46%	0.00%
SINGLE	03/19/08	WEDNESDAY	61	46	10	0	4	2	21.74%	0.00%
MASTER	03/19/08	WEDNESDAY	45	45	23	0	N/A	1	51.11%	0.00%
SINGLE			38	35	14	0	0	3	40.00%	0.00%
SINGLE	04/02/08	WEDNESDAY	115	104	31	0	8	2	29.81%	0.00%
MASTER	05/07/08	WEDNESDAY	88	88	44	0	N/A	0	50.00%	0.00%
MASTER	05/07/08	WEDNESDAY	68	68	29	3	N/A	0	42.65%	10.34%
SINGLE			11	7	4	0	2	0	57.14%	0.00%
SINGLE	09/21/08	SUNDAY	3	3	3	0	0	0	100.00%	0.00%
MASTER			140	140	37	0	N/A	0	26.43%	0.00%
SINGLE	09/21/08	SUNDAY	57	55	29	2	0	2	52.73%	6.90%
MASTER			2	2	0	0	0	0	0.00%	0.00%

TOTAL - SINGLE METERS:	400	349	132	4	19	24	37.82%	3.03%
TOTAL - MASTER METERS:	643	643	195	7	0	1	30.33%	3.59%

OVERALL TOTALS:	1043	992	327	11	19	25	32.96%	3.36%
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OVERALL AVERAGES:	65	62	20	1	2	2	32.96%	3.36%
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