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DEPARTMENT, Internal Audit
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TO: Jimmy L. Morales, City Manager

VIA: John Woodruff, Budget and Performance Improvement Director 

FROM: James J. Sutter, Internal Auditor 

DATE: October 24, 2013

SUBJECT: SUMMARY OF OBSERVATIONS FOR PARKING REVIEWS PERFORMED DURING
FY2011/2012

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

During fiscal year 2012, a total of four (4) Coin Room, four (4) Attended Lots, and twenty four (24) Meter Operations and Enforcement reviews were conducted at different unannounced dates and times. 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, improve safeguards and controls for City assets, closer adherence to documented policies and procedures, and customer service.

Furthermore, the enforcement capture ratio of 7.39%, 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, which is a decrease from the prior fiscal year when it was averaged at 12.18%. Insufficient enforcement results in not maximizing available parking spaces.

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

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 23, 2011, March 29, 2012, August 23, 2012, and on September 27, 2012 to review the Coin Room's daily operations at the first floor of the City Hall's new garage location. The following summarizes our findings and observations:

- a) Variances observed between the amounts of revenues counted in the Coin Room and amounts reflected by the different systems and equipment used as compensating controls are continuing without conclusive explanations and expeditious permanent corrective action. Although sufficient investment has taken place on new technology to help identify discrepancies and exceptions, not researching, explaining, documenting variances observed, and analyzing variance trends diminishes the effectiveness of such controls. As a result we find internal controls that are effective in design, but ineffective in operation and practice.
- b) Smart programmable key activity reports were not compared to Coin Room collection schedules, Parkeon reports, Digital reports, and hand-held computer reports. The daily comparison between information provided by the different software system reports is a critical control in mitigating risks and identifying anomalies and/or discrepancies in the coin room operations, as well as meter collections in the field.
- c) Meter collections were scheduled during weekends, which resulted in additional costs to the City as a result of incurred overtime (paid at time and a half). The weekend collections were scheduled as a result from customer complaints regarding inoperability of meters during weekends. Although certain system reports suggested that the inoperability of some multi-space meter stations, primarily in the City's south zones, could have resulted from the multi-space meter getting full, no conclusive explanation and correlation was researched and documented as definitive.
In addition, the reliability of these reports suggesting the machines were getting full has been in question considering that they are affected by other factors including; whether or not multi-space meter machines are able to synchronize with the server and whether the meter station properly resets after being collected, and thus resetting the amounts shown as stored in the machine. Furthermore, preventive measures such as lowering the collection threshold on Friday's collection to \$170 from \$300 for all multi-space meter stations used during weekdays is already in place to avoid meter stations from filling.
- d) Meter technicians have been provided with a replacement currency canister on multiple occasions to collect and replace the canister on multi-space meters under maintenance by the same technician. Considering that technicians have been fully trained in all aspects and functions of the meter stations used in the City's Parking System, in addition to having access to the same, allowing them to have access to the revenue vaults of the meters represent a control weakness and poor segregation of duties that should be addresses promptly.
- e) Ineffective communication between the On-Street Division (meter maintenance) and the coin room has been increasing in recent times resulting in un-necessary operational inefficiencies. Due to the ever-changing locations of multi-space meter stations and the different technologies and models used on the field, a lack of communication regarding machine numbers and/or models (DG, Strada, etc.) being newly installed, and or relocated to different zones, often result in either machines not collected when needed, wrong keys issued for collection, among other minor operational challenges, which increase travel time, delays collection, etc.
- f) Procedures regarding the expectations and involvement or lack thereof by meter technicians in the collection process and with meter collectors should be documented, approved and distributed to all related personnel to be uniformly and consistently followed by all relevant personnel. Proper controls and operational efficiencies should be considered at all times when creating, documenting and implementing them.
- g) Internal Audit observed how the newly installed air conditioning unit was significantly obstructing

the light on the currency counting tables. Considering that currency is being counted on these tables, which could fall to the floor, as they are being extracted from the bill hoppers and/or counted, the department should consider relocating and/or adding additional lighting fixtures for proper illumination and clarity. In addition, the area surrounding these tables should be maintained clear of boxes and/or any objects to prevent any falling currency(s) from being undetected.

Recommendations:

The Parking Department should address the above observations in order to improve internal controls while safeguarding City assets. More detailed and specific recommendations were provided on the memorandums describing the results of our reviews, which were issued to the Parking Department separately.

Management Response(s):

- a) Variances are identified and researched in order to identify root cause(s) and/or causes that are highly probable. These causes vary and are addressed accordingly on a case by case basis. The Parking Department concurs, the pursuit of conclusive explanations and expeditious permanent corrective action is ideal. This additional workload would require additional resources to implement. To this end, the Parking Department is pursuing a comprehensive reconciliation process with Digital Payment Technologies (DPT), the manufacturer of the Luke II units with the assistance of the City Information Technology (IT) Department.
- b) Agreed. Additional resources will need to be allocated to perform these tasks.
- c) Additional resources, via overtime, are allocated on Fridays, Saturdays, and Sundays, contingent upon the level of activity in the City. The overtime cost to provide this higher service level is returned many times over when only one multi-space pay station remains inoperable through the course of a day or even worse, a weekend. Additionally, the City's image is tarnished if it is found to have inoperable equipment or worse yet, a citation is issued for overtime parking when equipment failure is the culprit. Internal Audit's own research of meter operability is 99%+. The additional expense for this high level of meter operability is a cost of doing business. This investment is returned many times over.
- d) As a matter of process, meter technicians are no longer issued replacement currency canisters. DPT's Luke II model has an expanded capacity note canister; therefore, replacement canisters are no longer needed. Meter technicians are only issued currency canister in the case of an emergency when specifically directed by the Operations Manager or Assistant Parking Director.
- e) Agreed, there is always room for improved communications. Monthly meetings are held with coin room staff, meter maintenance staff, and Administration to address issues as they arise.
- f) Meter technicians should and do not have involvement in the collection process unless specifically directed by the Operations Manager in the case of an emergency.
- h) The lighting and obstruction issues referenced in the finding have been addressed accordingly.

ATTENDED LOTS OPERATION REVIEW FINDINGS:

Attended lot 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 February 1, 17, 18, of 2012 and on September 15 and 30, of the same year, to different attended lots were conducted during FY 2012. The following summarizes the results from our observations and walk through during our visits:

- a) Facility operating costs experienced are higher due to the delegation of traffic responsibilities to security guards employed at higher rates, under a different contractor and service agreement.
- b) Operational inefficiencies and lack of communication was observed between employees of the different contractors while performing the daily parking lot operations. Employees of the different contractors don't report to, or have the same chain of command, which resulted in miscommunications and at times conflicting schedules for breaks among other things. Timely monitoring of lot violations, space availability, and prompt enforcement of violations were also affected.
- c) Lack of updated, documented, and approved standard operating procedures, as well as, adequate training by the Parking Department with respect to the day to day surface parking lot operations often created confusion to contractor employees, in addition to diminishing the effectiveness of the attendants to manage and regulate lot operations. This often resulted in poor enforcement of City policies and Ordinances and contradicting instructions from Parking Personnel.
- d) An option to either pay the multi-space parking meter or pay the flat special event rate continued to be offered at some of the City's attended lots. Providing this option has proven to be inefficient. Continuing to offer this option creates weaknesses in operational controls and enforcement that could result in revenue misappropriations and/or under collections of revenues.
- e) Enforcement procedures were not consistently followed and/or exercised by enforcement personnel. Expired city employee parking decals, expired city-wide parking decals, and home-made signs suggesting that the vehicle belonged to City Employees or Contractor employees were not properly enforce in accordance to ordinances, rules and policies of the Parking Department.
- f) 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.

Recommendations:

The Parking Department should address the above observations in order to improve internal controls, operational efficiencies, compliance, and customer service while safeguarding City assets. As in the previous section, detailed and specific recommendations were provided on the memorandums describing the results of our reviews, which were issued to the Parking Department separately.

Management Response(s):

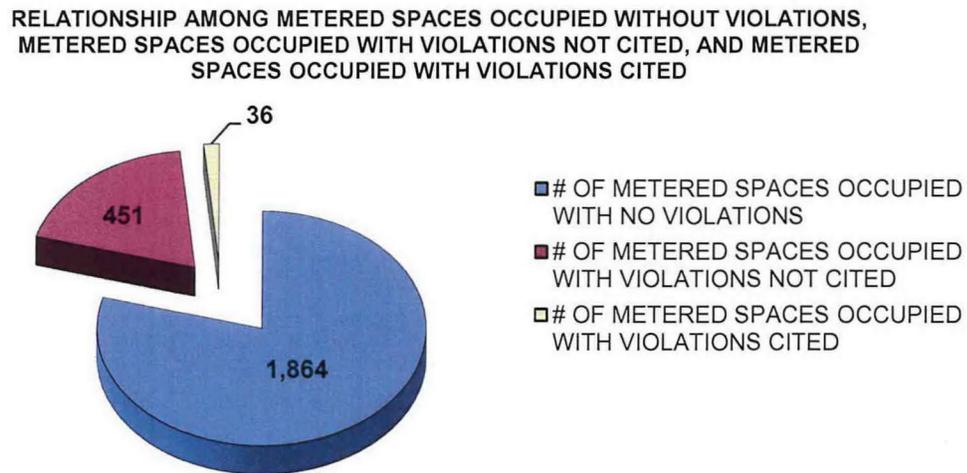
- a) Traffic control services are assigned to the security guard contractor as this task is consistent with guard duties.
- b) There is always room for improved communications. Staff has been tasked with improving communications with multiple contractors as well as at all levels within our organization.
- c) The Off-Street Division in conjunction with the contractor is developing standard operating procedures and will provide training with regard to surface parking lot operations.
- d) The option to either pay the multi-space parking meter or pay the flat special event rate continues to be offered at some of the City's attended lots. This option is provided as a customer service enhancement. By discontinuing this option, users seeking short term parking would unnecessarily pay a flat rate for a short term stay. Maintaining customer convenience and audit controls is a delicate balance. Appropriate controls are in place; however, we welcome input from Internal Audit to enhance these controls while maintaining this higher service level.
- e) Parking enforcement is directed to consistently enforce all parking regulations. Performance issues will be addressed accordingly.

f) See response to b) above.

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 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-four (24) reviews performed during fiscal year 2012 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 five (5) metered spaces occupied in the City is in violation, and approximately one (1) out of fourteen (14) of those in violation and eligible for citation was captured during fiscal year 2012. To better illustrate this relationship for the past fiscal year the following chart was created using the results from our reviews:

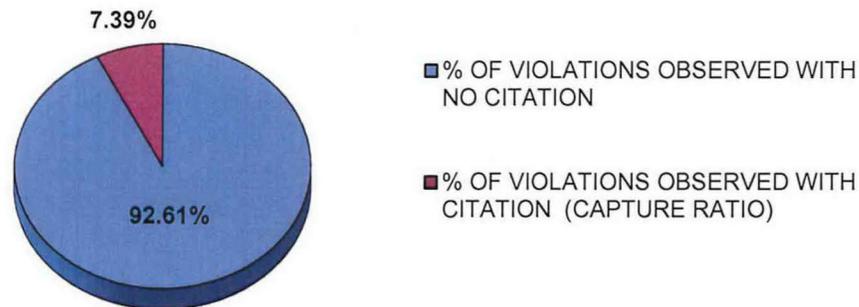


Note: Total number of occupied metered spaces tested was 2,351.

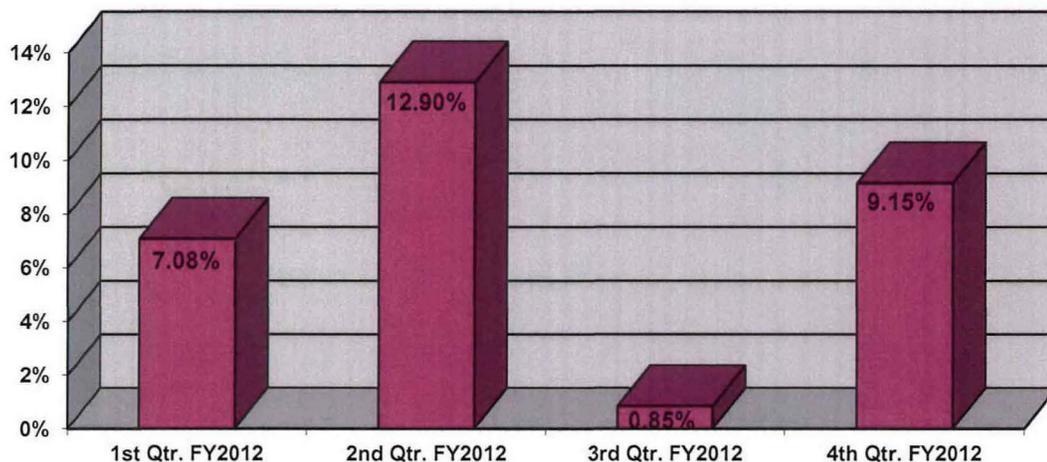
In contrast, the overall Meter Compliance Ratio (the number of occupied metered spaces with no violations, added to the amount of occupied metered spaces with violations cited, divided by total number of occupied metered spaces) resulted in approximately 80.82%. This means that approximately out of every one hundred (100) occupied metered spaces in the City, approximately eighty-one (81) were not in violation and/or the violation was cited. This represents a slight decrease from last year when this ratio was approximately 83.76%, but still slightly better than two years prior (FY 2010) when it was approximately 79.38%.

An overall Enforcement Capture Ratio of 7.39% was observed to be less than desired industry benchmark of 25%, as per the J.L. Donoghue Evaluation of Parking System Revenue Controls. It also represents a slight decrease over the 12.18% and 8.56% observed in the previous two fiscal years. The following charts helps to illustrate the overall capture ratio resulting from our reviews:

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



OVERALL QUARTERLY ENFORCEMENT CAPTURE RATIO
(FISCAL YEAR 2012)



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

- b) Other observations during our reviews included the following:
- Poorly written and/or incomplete Daily Activity Reports continued to be prepared by the enforcement officers.
 - Errors regarding vehicle assignments to the officers on the Enforcement Division Daily Schedule, prepared by the shift supervisors, continued to be experienced.
 - Contradicting information with respect to actual observations and officer's assignment description and/or locations was entered on the Enforcement Division Daily Activity reports.
 - Commercial and/or passenger loading zones regulations continued without proper enforcement.
 - Poor monitoring and violation enforcement of valet parking operators.
 - Misleading signage regarding the number of parking spaces and hours restricted were used to reserve parking spaces rented by valet parking operators.

- No Standard Operating Procedures regarding enforcement operations have been documented and approved by the Parking Department to be consistently, objectively, uniformly applied, and followed by all enforcement personnel. This and not providing proper training to enforcement personnel contributed to inconsistent enforcement and adversely impacted the overall effectiveness of the division.

Recommendations:

The Parking Department should address the above observations in order to improve internal controls, operational efficiencies, compliance, and customer service while safeguarding City assets. As in the previous section, detailed and specific recommendations were provided on the memorandums describing the results of our reviews, which were issued to the Parking Department separately.

Management Response(s):

The Parking Department has drafted procedures and these drafts are currently under review. Additionally, the method of enforcement will transition to LPR (License Plate Recognition). This technology will address many of the issues cited above through increased officer accountability.

(Summary completed by Fidel Miranda, Auditor)

CC: Patricia Walker, Chief Financial Officer
Saul Francis, Parking Department Director
Rocio Alba, Assistant Parking Director

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OBPI - INTERNAL AUDIT
 METER OPERATION AND ENFORCEMENT SUMMARY
 From Oct 2011 to Sept. 2012

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 ENFORCEMENT CAPTURE RATIO	METER COMPLIANCE RATIO	OVERALL QUARTERLY ENFORCEMENT CAPTURE RATIO
Master	10/21/2011	Friday	100	100	15	1	N/A	0	15.00%	6.67%	86.00%
Master	11/02/2011	Wednesday	100	100	24	0	N/A	0	24.00%	0.00%	76.00%
Master	11/09/2011	Wednesday	26	26	4	0	N/A	0	15.38%	0.00%	84.62%
Single			74	74	19	1	0	3	25.68%	5.26%	75.68%
Master	11/19/2011	Saturday	100	100	25	6	N/A	0	25.00%	24.00%	81.00%
Master	12/14/2011	Wednesday	58	58	14	0	N/A	0	24.14%	0.00%	75.86%
Single			42	42	12	0	0	1	28.57%	0.00%	71.43%
Master	01/26/2012	Thursday	42	42	3	0	N/A	0	7.14%	0.00%	92.86%
Single			58	58	20	3	0	0	34.48%	15.00%	70.89%
Master	02/04/2012	Saturday	100	100	11	0	N/A	1	11.00%	0.00%	89.00%
Master	02/21/2012	Tuesday	100	100	15	0	N/A	0	15.00%	0.00%	85.00%
Master	02/28/2012	Tuesday	77	77	13	4	N/A	0	16.88%	30.77%	88.31%
Single			23	23	5	0	0	1	21.74%	0.00%	78.26%
Master	03/27/2012	Tuesday	100	100	13	3	N/A	0	13.00%	23.08%	90.00%
Master	03/30/2012	Friday	100	100	13	2	N/A	5	13.00%	15.38%	89.00%
Master	04/24/2012	Tuesday	72	72	12	0	N/A	0	16.67%	0.00%	83.33%
Single			26	26	9	0	0	0	32.14%	0.00%	67.86%
Master	04/27/2012	Friday	51	51	8	0	N/A	0	15.69%	0.00%	84.31%
Single			49	49	11	0	0	1	22.45%	0.00%	77.55%
Master	05/21/2012	Monday	100	100	21	1	N/A	0	21.00%	4.76%	80.00%
Single	05/23/2012	Wednesday	51	51	18	0	0	0	35.29%	0.00%	64.71%
Master	06/12/2012	Tuesday	100	100	38	0	N/A	2	38.00%	0.00%	62.00%
Master	08/15/2012	Wednesday	100	100	22	5	N/A	2	22.00%	22.73%	83.00%
Master	08/21/2012	Tuesday	100	100	17	8	N/A	0	17.00%	47.06%	91.00%
Master	08/24/2012	Friday	100	100	14	0	N/A	0	14.00%	0.00%	86.00%
Master	08/30/2012	Thursday	89	89	13	0	N/A	1	14.61%	0.00%	85.39%
Single			11	11	5	0	0	0	45.45%	0.00%	54.55%
Master	09/10/2012	Monday	84	84	24	0	N/A	0	28.57%	0.00%	71.43%
Single			16	16	2	0	0	0	12.50%	0.00%	87.50%
Master	09/15/2012	Saturday	100	100	15	0	N/A	1	15.00%	0.00%	85.00%
Master	09/21/2012	Friday	76	76	21	1	N/A	1	27.63%	4.76%	73.68%
Single			24	24	9	0	0	0	37.50%	0.00%	62.50%
Master	09/30/2012	Sunday	100	100	22	1	N/A	0	22.00%	4.55%	79.00%
TOTAL - SINGLE METERS:			376	376	110	4	0	6	29.26%	3.64%	71.81%
TOTAL - MASTER METERS:			1975	1975	377	32	N/A	13	19.09%	8.49%	82.53%
OVERALL TOTALS:			2351	2351	487	36	0	19	20.71%	7.39%	80.82%
OVERALL AVERAGES:			71	71	15	1	0	1	20.71%	7.39%	80.82%