



MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: May 15, 2009
AUDIT: Valet Parking Operational Audit - Art Basel 2008
PERIOD: December 3 through December 7, 2008

This report is the result of an audit of the Gold Star Inc./First Class Parking Systems LLC valet parking operations conducted during Art Basel Miami Beach 2008 as requested by the Parking Department Administration.

INTRODUCTION

Art Basel Miami Beach 2008 was held at various City locations (Convention Center, Botanical Garden Center, etc.) between December 3rd and 7th. It combined an international art show with an exciting program of special exhibitions, parties and crossover events including music, film, architecture and design. The Miami Herald's 12/08/08 article estimates event attendance to barely top 40,000 (a six percent decline from last year's 43,000) with many patrons using the convention center valet parking services provided by the City's contractor called Gold Star Inc./First Class Parking Systems LLC.

Gold Star Inc., an active Florida for-profit corporation, was granted through the City Commission's adoption of Resolution No. 2005-25791 the exclusive privilege of operating valet parking concessions at the Fillmore (formerly TOPA), Miami Beach Convention Center and such other properties authorized by the City as the Bass Museum of Art, Botanical Garden Center, Miami City Ballet, etc. The corresponding agreement commenced on 11/01/05 and expired on 10/31/08 with the City having the sole option to renew the same terms and conditions for an additional two years. It encompassed a multitude of issues including monthly fixed minimum rental payments, insurance coverage, signage, property maintenance, etc.

In compliance with Section 7 of Gold Star Inc.'s agreement entitled "assignment; no sublet", the City Commission through the ratification of Resolution No. 2007-26732 on 01/17/07 approved the sale of a majority interest in Gold Star Inc. to Jorge Zuluaga, the principal shareholder of First Class Parking Services LLC. Mr. Zuluaga acquired a 75% interest in the company while Arthur Schultz retained a 25% interest.

The City elected not to extend the contract terms for an additional two years in 2008 as a Request for Procurement was prepared and distributed. Until a final decision is made on the selection of a new vendor, Gold Star Inc./First Class Parking Systems LLC's contract has been extended on a month-to-month basis.

In an effort to improve future customer/promoter satisfaction and turnaround times at this year's event, the Parking Department and contractor agreed in a 11/25/08 signed letter to additional more

stringent terms than those listed in the agreement (similar terms were followed for Art Basel Miami Beach 2006 and 2007).

The following table compares the number of valet parked vehicles by day during the last three Art Basel Miami Beach events:

Event Days (Actual Dates Vary)	2006	2007	2008
Wednesday	635	781	746
Thursday	340	583	360
Friday	610	655	521
Saturday	670	735	471
Sunday	620	461	475
Total	2,875	3,215	2,573

The 19.97% decrease in valet parked vehicles for the Miami Beach Art Basel 2008 event in comparison to 2007 can be attributed to the economic downturn per Gold Star management. The contractor stated that they have experienced similar decreases in the number of valet parked vehicles at the recently held International Boatbuilders Exhibition and Conference or IBEX (10/06/08 through 10/08/08) and the South Florida International Auto Show (11/07/08 through 11/16/08).

PROCESS DESCRIPTION

Customers arriving at Art Basel Miami Beach 2008 via their personal vehicles have the option of either self-parking in the nearby lots or garages and paying up to \$15 daily, paying the single and/or master meters the prescribed rate based on the estimated length of their stay or valet parking in front of Hall D for \$20. If they choose to valet park, then the customer enters the valet ramp located just south of Hall C and outlined with traffic cones.

A Gold Star Inc./First Class Parking Systems LLC ramp attendant greets the customer and tries to collect the \$20 valet parking fee. Per Resolution No. 2008-26767, Art Basel Miami Beach 2008 is one of the eight sanctioned events whereby the contractor is able to increase the valet parking fee from \$15 to \$20 with the City receiving \$2 of this incremental \$5 increase. The \$5,146 (2,573 valet parked vehicles times \$2 per vehicle) payment from Gold Star Inc. was received on 02/02/09 via check number 2360.

Most customers paid upon arrival but the option is also extended to pay when leaving with their pre-numbered blue ticket noted accordingly. Only cash is accepted and the ramp attendant is required to have a sufficient amount of change.

VIP parking is available at the customer's request of those willing to pay the \$20 valet parking fee plus a premium for quick curbside service. The amount of the premium given is at the discretion of the customer and should not be specified by the ramp attendant. These VIP vehicles were primarily parked in front of Hall C in the valet ramp or at the Holocaust Memorial lot.

The pre-numbered blue tickets for this event started at 4000 and continued sequentially afterwards. The blue tickets have three different sections with one given to the customer upon delivery of the vehicle, one positioned face up on the vehicle's dashboard and the third attached to the customer's keys.

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The next runner or contractor employee responsible for parking and retrieving patron's vehicles, in the queue is summoned to drive the vehicle to its temporary storage location in one of the 530 spaces pre-approved by the City's Parking Department. He/she indicates on the ticket attached to the keys the location where the vehicle was parked (lot, row and space). Additionally, the contractor marks a color coded circle on the ticket to further specify the applicable lot as another means to facilitate locating.

The runner then returns the customer's keys attached to the ticket to the contractor's administrative personnel for storage on the key board. The key board is located underneath a white tent located just south of Hall D. Here the keys remain safeguarded until the event patron decides to leave and requests return of his/her vehicle by submitting their ticket.

A runner is summoned to retrieve the vehicle while the ticket is returned to the customer who is then instructed to cross Convention Center Drive to the pick-up area in front of the Botanical Gardens. A Gold Star representative is stationed here with a radio to help expedite the process and answer any customer questions.

As the vehicles are driven by the runner to the pick-up area, the ticket numbers are announced. The customers are required to remit their section of the ticket to take possession of the vehicle and exit the premises.

OVERALL OPINION

The City's valet parking contractor Gold Star Inc./First Class Parking Systems LLC faced a daunting and formidable task in satisfying Art Basel Miami Beach 2008's valet parking needs. The daily time certain event ending, the volume of vehicles and the limited availability of parking spaces made it difficult for the contractor to succeed. Yet, Internal Audit believes that the contractor in conjunction with the City's Parking and Police Departments performed commendably. While there was a decrease in valet parked vehicles, overall Improvement was noted in customer key safekeeping, customer service, logistics, and turnaround times.

However, regardless of the successes there are still areas where improvement can be made prior to next year's Art Basel Miami Beach. A majority of these issues arose because of the time constraints associated with Vernissage and the inherent difficulty in supervising the runners. Shortcomings in the following areas were noted during testing and are described further in the section entitled "Findings, Recommendations and Management Responses".

- Contractor personnel,
- Utilization of provided parking spaces,
- VIP parking, and
- Turnaround times.

PURPOSE

The purpose of this audit is to determine whether the contractor complied with selected terms listed in both their signed agreement and the 11/25/08 letter aimed at providing timely and quality professional valet services to Art Basel Miami Beach patrons.

SCOPE

1. Confirm that the contractor has complied with selected criteria outlined in the signed agreement and the Parking Department's 11/25/08 letter. Examples of areas tested include meeting minimum staffing requirements, comparing calculated turnaround times to stated goals, monitoring VIP parking and the rates charged, assessing the performance of assigned staff toward valet patrons, etc.
2. Confirm through observations that the contractor has implemented sufficient internal controls in their valet parking operations and followed valet parking guidelines established by the City.
3. Confirm that the contractor is current with their business tax receipt and maintains sufficient insurance coverage.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding – Contractor Personnel
The contractor employed more than eighty different people at various times to handle the event's valet parking needs. Although properly attired in uniforms and noted acting courteous to customers, the following observations were noted:
 - a. Among other items, the 11/25/08 letter signed by both the City's Parking Director and Gold Star Inc. required the contractor to have thirty-five runners (individuals responsible for parking and retrieving patron's vehicles) present one hour before show times and to remain throughout the show. However, a verbal agreement was reached between the City's Assistant Parking Director and the contractor allowing Gold Star Inc. to have fewer runners initially and then to ramp up to at least thirty-five later in the day as needed, and as long as customer service was not affected. Yet, subsequent review of submitted Employee Sign-In Sheets showed that the contractor only had a total of twenty-eight runners work on 12/05/08 and thirty-one on 12/07/08. A sufficient number of runners were present for the other three days of the event.

Despite not reaching the desired number on 12/05/08, Internal Audit opines that the shortage did not severely hinder valet operations and turnaround times (5.92 minute average for the day). No testing was performed on 12/07/08 so the impact of not being fully staffed could not be determined.
 - b. In an effort to comply with Ordinance No. 2003-3418, Miami Beach City Code Section 18-341 and the 11/25/08 signed letter, the contractor provided an employee report listing the names and drivers' license numbers of forty-four employees who would be working the event to the Parking Department. Yet, only thirty of the forty-four listed names or 68.18% actually worked one day of the event based on review of the provided daily Employee Sign-In Sheets used by the contractor for payroll purposes during Art Basel Miami Beach 2008. Furthermore, 57.75% or forty-one of the seventy-one runners who worked at least one day during the event did not appear on the aforementioned employee report provided to the Parking Department.

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Additionally, the employee report is required to be submitted to the Parking Director or his/her designee no later than the fifth of the month or be subject to a \$25 per day fine. However, the Parking Department did not receive this report via e-mail until 12/09/08 or four days past the due date at the insistence of the Parking Department and no warnings or fines were apparently issued

Internal Audit's testing showed that three of the forty-one drivers' licenses furnished either expired prior to or during Art Basel Miami Beach 2008. Of these, one runner worked at the event when his submitted driver's license expired on 09/29/08.

- c. The Parking Department provided driver license check results for only one Gold Star employee. This report from the Florida Department of Highway Safety & Motor Vehicles is used to determine the validity of the driver's license and that there are no restrictions or endorsements outstanding.
- d. Runners were initially confused about the lot numbers and locations within but the confusion subsided as the event progressed. A handful of runners were overheard receiving training upon their arrival as they apparently were not trained in advance or did not retain the information received.
- e. Runners were also frequently observed entering the lot and pressing the valet vehicles' car alarm to expedite locating. Among other negative implications, it also makes the time spent by the runner in determining and recording the vehicle's parking space of lesser importance.

Recommendation(s)

The implementation of the following recommendations regarding contractor personnel should help improve future performance and labor relations with the City:

- a. The contractor should comply with all previously agreed upon terms and maintain required staffing levels. Whenever possible, any deviations should be approved in advance and in writing to help prevent any future disagreements.
- b. Going forward, a complete employee report should be submitted to the Parking Department timely or be subject to the associated fines. The Parking Department should periodically review all submitted drivers' license expiration dates prior to the event's start. Any expiring before or during the month should be flagged with the applicable employee not able to work until corrected.
- c. The designated Parking Department employee responsible for running the Driver License Check reports should print a copy and attach it to each submitted employee driver's license at least once a year.
- d. The contractor should have better trained their runners prior to the event's commencement.
- e. Although difficult to enforce, runners should be instructed to refrain from entering lots and pressing vehicles' car alarms to help locate the vehicle quicker.

Contractor's Response

The received contractor's response is as follows:

- a. Staffing Levels: As your findings noted, an agreement was reached with the Assistant Parking Director allowing for lower initial staffing levels at the event start time with an agreed upon ramp-up to the desired staffing levels prior to "peak" periods during the event. First Class Parking did not deploy staff at the agreed upon levels for both 12/5/08 and 12/7/08 given lower than expected demand for valet services on both dates. As noted in the audit, the reduced staffing levels did not hinder service levels, as evidenced by the average vehicle delivery times documented on page 8 of the audit. First Class Parking concurs with recommendation a. set forth above and will continue to see prior authorization to any deviations to their approved staffing plan. It is important to note, however, that obtaining prior written approval may prove logistically challenging.
- b. Employee Report: First Class agrees with the findings with respect to our failure to timely submit the required employee report. Submission was complicated by uncertainties surrounding the extension of the current valet concession contract, which delayed management's planning for Art Basel. First Class will comply with the required submission deadlines in the future.

With regard to the expired licenses, we acknowledge this oversight and can only attribute the failure to our former office manager's failure to identify the expired license during the preparation of the required employee report. We apologize for this unfortunate oversight and hope that our compliance record in this area and commitment to greater vigilance adequately addresses this finding.

- d. Employee Orientation: Prior to Art Basel, First Class held two meetings to review the operations plan with all employees scheduled to work the event. These meetings were conducted on-site on December 1st and 2nd. The first meeting consisted of an orientation and review of the operations plan for the event with all staff. Each employee was provided with a copy of a map indicating the location of valet service parking lots for the event and each numbered parking stall. Employees were required to return the following day to obtain uniforms for the event and to ask any questions about the orientation plan discussed at the prior meeting. As with any other operation, less than a handful of employees did not recall the instructions provided at the orientation meeting and/or had questions related to the map which management on-site during the event helped to clarify.
- e. Valet Runners Use of Car Alarms: First Class has instructed all employees that use of the car alarm to locate a vehicle in a valet lot is not an acceptable practice. As noted in the auditor's recommendations, supervision and enforcement with respect to this practice is a challenge. First Class has expressed to the Parking Department that the numbering of parking stalls in city-owned parking lots may help curb this practice by runners, as it will aid their efforts to locate a vehicle quickly without reference to a printed map.

Parking Department's response:

- a. Reduced staffing levels were not approved by the Assistant Parking Director and the contractor did not meet their agreed numbers of staffing. For future events, the contractor will be required to have staffing levels in accordance to agreed levels.

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- c. The Parking Department employee responsible for running the Driver License Check reports will print a copy and attach it to each submitted employee driver's license at least once a year.

2. Finding – Parking Spaces

The Parking Department with the assistance of Global Spectrum, the independent company hired by the City to manage the Convention Center, agreed to make a total of 530 parking spaces accessible to the contractor during Art Basel Miami Beach 2008. These spaces were located in the lot behind The Fillmore, the Miami Beach Convention Center's south and north loading docks, the Holocaust Memorial lot, and the Miami Beach High School lot and bus ramp. Testing done during the event found the following parking space limitations:

- a. Trucks and containers, as well as Recreation Department and Convention Center workers' personal vehicles blocked parking spaces in the north loading dock and were not removed. As a result, the contractor had only about fifty of the one hundred promised spaces available in this area for much of the event.
- b. Despite having contractor provided security at the valet parking lots, parked vehicles still contained advertising brochures on their windshield. Several customers receiving their vehicles were subsequently noted throwing these brochures on the ground.

Recommendation(s)

The following recommendations should be implemented as soon as possible:

- a. Global Spectrum staff should have made one hundred spaces in the north loading dock available to the concessionaire in accordance with the 11/25/08 signed letter. Since this appears to be a reoccurring problem based on prior audits, Internal Audit believes that the City should only commit to fifty spaces in this area for Art Basel Miami Beach 2009.
- b. Contractor security should halt individuals from placing advertising brochures on vehicles under their care. If these individuals persist, the City's Code Compliance Division should be called immediately to remedy the situation.

Contractor's Response

The contractor response to the aforementioned finding is stated below:

- a. Parking Inventory: First Class concurs with the auditor's findings with respect to the deficiency in the number of committed spaces. It would remain our preference to have the existing commitment continued. Should the committed inventory be reduced as recommended, we will do our best to work with Parking Department staff to mitigate any adverse impact such a change might have on valet service levels.
- b. Vehicle Leafleting: First Class recognizes that the leafleting of vehicles by area vendors is viewed negatively by patrons. We will instruct our security staff to be more vigilant in their efforts to curb such activities. First Class will work proactively with the Parking Department to ensure that First Class site managers have access to a contact number for the code compliance officer on duty on the evening of

scheduled events that can assist with recalcitrant individuals.

3. Finding – VIP Parking

VIP customers are those requesting and willing to pay a premium for quick curbside service. It is an industry accepted practice that is not addressed in either the signed agreement or the 11/25/08 signed letter. We noted that frustrated VIP customers complaining, especially during Vernissage, that they had to wait to pick up their vehicles across the street at the designated area in front of the Botanical Gardens with the other customers.

Recommendation(s)

The City should incorporate VIP parking into the next agreement to eliminate any future confusion. Meanwhile, the contractor should inform VIP customers in advance that their vehicles will be returned as able at the designated area before additional monies are received to help prevent any future misunderstandings.

Contractor's Response

First Class concurs with the auditor's recommendation that VIP Parking should be addressed in its future agreement. Going forward, First Class would recommend that vehicle delivery for VIP customers should occur at the ramp where the vehicle is stationed, thus relieving the customer of their need to walk across the street and the additional delay associated with the current delivery procedure. Given the limited number of vehicles that utilize the VIP service, modification of the delivery procedure should not impact customer safety.

4. Finding – Turnaround Times

Since turnaround time is not addressed under the current contract, the Parking Department set a goal, on an operational agreement letter specifically to address the valet needs for the Art Basel, of twenty minute turnaround times during Art Basel Miami Beach 2008. A turnaround time equals the amount of time elapsed after a valet customer submits his ticket to the concessionaire to the time that his/her vehicle is delivered. Internal Audit calculated turnaround times daily at various intervals to provide a representative sample. The table below provides a daily average of the tested turnaround times in minutes by day and the percentage of observations within five minute increments for the past two Art Basel Miami Beach events:

	2007 Miami Beach Art Basel		2008 Miami Beach Art Basel	
	12/05/07 Wednesday	12/07/07 Friday	12/03/08 Wednesday	12/05/08 Friday
Number of Turnaround Times Calculated	74	82	72	96
Art Basel Average Daily Time in Minutes	16.00	8.74	10.39	5.92
<i>% 5 minutes below</i>	6.76%	9.76%	33.33%	44.79%
<i>% 6 – 10 minutes</i>	28.38%	68.29%	44.44%	55.21%
<i>% 11- 15 minutes</i>	28.38%	15.85%	8.33%	0.00%
<i>% 16 – 20 minutes</i>	13.51%	4.88%	0.00%	0.00%
<i>% Over 20 minutes</i>	22.97%	1.22%	13.89%	0.00%

Although there is still room for improvement a positive trend has been shown in the table above as the contractor was able to significantly reduce turnaround times at this year's event in comparison to last year for similar days tested. For example, turnaround times decreased by 35% to 10.39 minutes on Wednesday, which has the highest daily number of valet, parked vehicles during Art Basel Miami Beach.

Furthermore, Wednesday typically has the highest daily turnaround times due to the overlapping events (one event ended at 5:00pm while Vernissage began concurrently), limited traffic flow and the large volume of vehicles valet parked within a short time period. If Vernissage was discounted from consideration, then all tested valet parked vehicles were returned to their owners within the Parking Department's twenty minute stated/desired goal.

Recommendation(s)

Since it is unlikely that Vernissage will be moved to a different time, the contractor should consider different practices to try and improve its turnaround times. One approach is to employ more runners on Wednesday evenings. Another might be to try and coordinate with runners the parking of one vehicle in a particular lot with the corresponding return of another from the same lot to help reduce transit time. A third option is to limit parking at the Convention Center's north loading dock to the contractor as this lot is the closest to the pick-up area and should help the runners avoid much of the congestion of vehicles heading north on Convention Center Drive trying to reach the event.

Contractor's Response

First Class concurs with the auditor's observations with regard to delays experienced on 12/3/08 by valet patrons. However, much of the delays born of the overlapping events are beyond the control of the contractor. Unlike the typical operational condition, the Vernissage event has set times for the event start and conclusion. As such, approximately 600 of the 750 cars serviced during the event arrive and depart within a 90 minute window both at the event start and conclusion. Timely delivery of the vehicles is also further complicated by external operating conditions which include: area traffic, limited valet parking inventory proximate to the convention center, patron load-in/load-out delays, and existing vehicle delivery policies required by the Parking Department

To minimize delivery delays, First Class currently coordinates receipt and parking of one vehicle with the removal and delivery of a corresponding vehicle to reduce transit time. In advance of the 2009 event, we will make best efforts to work with Parking Department staff and Police Department staff to improve traffic management on-site and in the surrounding area. First Class will also explore alternative staffing options with the Parking Department to achieve 100% compliance with the vehicle delivery standard.

With regard to expanded use of the Convention Center's north loading dock, First Class believes that the lots existing physical condition may limit its expanded use as recommended by the auditor. First Class will discuss its concerns with respect to this recommendation with Parking Department staff and explore solutions that may mitigate those concerns, allowing for the north loading dock's expanded use.

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EXIT CONFERENCE

Preliminary report findings were presented to First Class Parking's management for solicitation of response. The contractor's management responses were received on March 6, 2009 and were added to this audit report. The Parking Department reviewed the contractor's responses and added their response subsequent to that date. All were in agreement with the contents of this report. The Parking Department will utilize this report in the planning for the next Art Basel event. Findings will be addressed with the parking contractor to ensure that corrective action is in place.

JJS:MC:mc
Audit performed by Mark Coolidge and Fidel Miranda

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