

City of Miami

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November 8, 2013

Honorable Members of the City Commission
City of Miami
3500 Pan American Drive
Coconut Grove, FL 33133-5504

Re: Audit of Parking Surcharge Program
Audit No. 14-001

Executive Summary

Pursuant to Section 48 of the City of Miami's (City) Charter and the Office of the Independent Auditor General's Fiscal Year 2012/2013 Audit Plan, we have completed an audit of the City's Parking Surcharge Program primarily for the period October 1, 2010 through September 30, 2012. The financial accounting records maintained by the City's Finance Department disclosed that approximately \$33.2 million of surcharge revenues (See Exhibit 1) were remitted to the City and approximately \$1.3 million of management fees were paid to Complete Consulting Services Group, LLC (CCSG), the City's Parking Surcharge Administrator, during the audit period. Furthermore, based on information obtained from CCSG's Parking Surcharge Program System database of parking facilities, there are approximately 450 active parking facilities in the City.

The audit was performed to determine whether CCSG complied with the provisions of the Professional Services Agreement (Agreement) between the City and CCSG dated September 23, 2010 and to determine compliance with Chapter 35/Article IX of the City Code, entitled "Motor Vehicles and Traffic/Parking Facilities Surcharge". Additionally, we examined the internal control policies and procedures of CCSG and applicable City Departments to determine whether they were adequate and effective in administering and overseeing the Parking Surcharge Program.

Based on the results of our audit, we have concluded that for the most part, parking surcharge fees were properly remitted to the City and recorded in the accounting records, and payments to CCSG were in accordance with the Agreement. However, the internal control policies and procedures in place at CCSG, as well as the City's Office of Management & Budget (OMB), Finance, and Code Compliance Departments could be enhanced to ensure a more effective operation of the Parking Surcharge Program.

Based upon various tests performed, the following recommendations, if implemented, would improve operations and controls over the Parking Surcharge Program:

- Finance Department should develop a consistent format for monthly reconciliations to avoid over/under payments to CCSG.
- Improve collection efforts for non-compliant Operators.

- Maximize the City's surcharge revenue by improving CCSG test audit procedures and plans.
- Improve controls over business tax receipts to enhance revenue and compliance.
- Reevaluate the City's accepted techniques used to calculate the parking surcharge for state sales tax consideration.
- Document the City's plans for monitoring the Parking Surcharge Program and CCSG.

We also followed up on the implementation of prior recommendations of an audit of Parking Surcharge Fees (Audit #09-006) and determined that two prior audit issues that involved potential revenue to the City remain unresolved. These items are discussed in detail on pages four through eighteen of this report.

We wish to express our appreciation for the cooperation and courtesies extended to us by the staff of CCSG, as well as the City's OMB, Finance, and Code Compliance Departments while conducting the audit.

Sincerely,



Theodore P. Guba, CPA, CIA, CFE
 Independent Auditor General
 Office of the Independent Auditor General

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**AUDIT OF PARKING SURCHARGE PROGRAM
OCTOBER 1, 2010 THROUGH SEPTEMBER 30, 2012
Audit No. 14-001**

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SCOPE, OBJECTIVES, AND METHODOLOGY

This audit was performed pursuant to the authority set forth in Section 48 of the City's Charter entitled, "*Office of Independent Auditor General*" (OIAG), and was conducted in accordance with the OIAG's Fiscal Year 2012/2013 Audit Plan. This audit focused primarily on whether Complete Consulting Services Group, LLC (CCSG) complied with the provisions of the Professional Services Agreement (Agreement) between the City and CCSG dated September 23, 2010 and to determine compliance with Chapter 35/Article IX of the City Code, entitled "Motor Vehicles and Traffic/Parking Facilities Surcharge". The audit also included examinations of various financial transactions between the City and CCSG to determine whether they were executed in accordance with the Agreement.

The audit covered the period October 1, 2010, through September 30, 2012, and selected transactions prior and subsequent to this period. In general, our audit of the Parking Surcharge Program focused on the following audit objectives:

- To evaluate the reliability and integrity of financial and operating information/data used to identify, classify, and report parking surcharge fees.
- To determine whether all applicable parking surcharge fees were properly computed and remitted to the City.
- To determine whether the fees remitted to the City were properly recorded in the financial accounting system and deposited into the Treasury.
- To determine whether CCSG complied with all major provisions of the Professional Services Agreement.
- To determine whether parking facilities were operating with local business tax receipts.
- To assess the effectiveness of the internal control system relative to the administration of the Parking Surcharge Ordinance.
- To follow-up on findings and recommendations noted in the prior audit of parking surcharge fees.
- Other audit procedures as deemed necessary.

We conducted this performance audit (review) in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence in order to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit methodology included the following:

- Reviewed applicable Florida Statutes, City resolutions and ordinances, and other legislative documents, City policies and procedures, in order to gain an understanding of the internal controls, assess control risk, and plan audit procedures.
- Interviewed and made inquiries of appropriate City personnel, CCSG, and selected parking operators; analyzed parking data, reviewed parking surcharge remittances, and tested compliance with the Agreement between the City and CCSG. In addition, we observed CCSG's operating practices compared to City Ordinances.
- Performed substantive testing consistent with the audit objectives, including but not limited to the examination, on a test basis, of applicable transactions and records.
- Drew conclusions based on the results of the testing, made corresponding recommendations, and obtained auditee responses and corrective action plans.
- Performed other audit procedures as deemed necessary.

BACKGROUND

Florida Statute § 166.271 authorizes the governing body of any municipality with a resident population of more than 200,000, with over twenty percent (20%) of its real property exempt from ad valorem taxes and located in a county with a population greater than 500,000, to impose and collect a per vehicle surcharge of up to fifteen percent (15%). The surcharge is to be assessed on the amount charged for the sale, lease, or rental of space at parking facilities which are open to the general public, and applies to all parking revenues derived from parking transactions within the City, with the exemption of airports, seaports, county administration buildings, and residential parking. The Statute requires that a percentage of the surcharge proceeds to be used to reduce the City's ad valorem tax millage and improve transportation.

Pursuant to Florida Statute § 166.271, on March 10, 2011 the City Commission enacted Ordinance No. 13257 (Ordinance) which amended Chapter 35, Article IX of the City Code and granted the City the authority to impose and collect a 15% surcharge on all parking revenues derived from any charge or fee for the parking of a motor vehicle in or on any parking facility in the City for which a charge or fee is made on a hourly, daily, weekly, monthly, yearly, event, validation programs, valet, or any other basis. Section 35-346 (b) of the City Code requires that the operator of every parking facility remit to the City the funds collected, net of any refunds, no later than the twentieth (20th) day of each calendar month for the preceding calendar month's parking surcharge collections.

The following terms are commonly used when referring to the issues pertaining to the parking surcharge. Section 101 of the City's Parking Surcharge Regulations and Section 35-344 of the City Code entitled *Definitions* defines them as:

- Operator – Any individual, partnership, association, corporation, or other entity which owns, controls, conducts, leases, operates, or causes to be operated a parking facility which offers parking accommodations for a fee, charge or exchange. The intent of this definition is to place the burden for collection of the surcharge on the owner of the facility not the entity which operates the facility if different from the owner.
- Parking facility – Any use in whole or in part of any space, plot, place, lot, parcel, yard, enclosure, parking lot, garage, street, building or structure that is open to the general public at which motor vehicles may be housed, stored, kept, or parked for which any fee or charge is made, no matter how the fee, charge or exchange is collected.
- Revenues – Any and all revenue, to include the entire amount of compensation in whatever form, exchange or otherwise, to be determined according to generally accepted accounting principles, derived directly or indirectly from or in connection with the Parking operation of the parking facility.
- User – Any person who drives a motor vehicle to, into, upon a parking facility for the purpose of parking or storing such vehicle for any length of time.

The City Manager is responsible for administering the Parking Surcharge Program. However, pursuant to Section 35-346 (f)(3)(5) of the City Code, the City Manager is granted the authority to delegate any of the duties and functions in connection with the collection of the parking surcharge, as well as retain the services of persons or entities with parking related collection experience to collect the surcharge. During our field work we learned that the Director of the City's Office of Management and Budget is charged with the principal responsibility for administering the Parking Surcharge Program. These responsibilities include, but are not limited to monitoring the Parking Surcharge Program, analyzing the revenues generated thereof, performing audits of parking facilities, and ensuring that all parking/valet facilities in the

City are identified and included in the parking surcharge database in order to maximize the collections of the parking surcharge remitted to the City. On September 23, 2010 the City executed a Professional Services Agreement (Agreement) which vested the monitoring and related responsibilities to the Complete Consulting Services Group (CCSG). In accordance with the Agreement, Management Fees of 3.95% of surcharge collections are paid to CCSG in order to encourage maximum revenue collection and to compensate CCSG and its employees for actual work performed.

The financial accounting records maintained by the City's Finance Department disclosed that approximately \$33.2 million of surcharge revenues (See Exhibit 1) were remitted to the City and approximately \$1.3 million of management fees were paid to CCSG during the audit period October 2010 through September 2012. A Property Listing Report database maintained by CCSG indicated that there are approximately 450 active parking facilities in the City.

This report describes the results of our audit of the City and CCSG as it relates to the collection and remittance of parking surcharge fees to the City and the internal controls surrounding the Parking Surcharge Program.

AUDIT FINDINGS AND RECOMMENDATIONS

CONCLUSION:

Based on the results of our audit, we have concluded that for the most part, parking surcharge fees were properly remitted to the City and recorded in the accounting records, and payments to CCSG were in accordance with the Agreement. However, the internal control policies and procedures in place at CCSG, as well as the City's Office of Management & Budget (OMB), Finance, and Code Compliance Departments could be enhanced to ensure a more effective operation of the Parking Surcharge Program.

Details of our findings and recommendations follow:

FINDING 1: FINANCE DEPARTMENT SHOULD DEVELOP A CONSISTENT FORMAT FOR MONTHLY RECONCILIATIONS TO AVOID OVER/UNDER PAYMENTS TO CCSG

Parking Owners/Operators submit monthly surcharge payments to a City of Miami lockbox. The bank processes these payments and then sends a copy of the checks, the original remittance reports, and envelopes to CCSG. CCSG posts the payments in their Parking Surcharge Program System and uses this information to generate a monthly invoice to the City with their service charge for the period (3.95% of surcharge collections).

On a daily basis the Finance Department electronically receives the City's bank account transactions and books them to their corresponding general ledger accounts. Monthly, Finance prepares a reconciliation of surcharge collections per City record to collections per CCSG's invoice package. Any differences are usually due to parking surcharge fee payments submitted to the City via wire transfer, return checks, or input errors. Upon reconciliation of any differences, the City should remit payment to CCSG for their services, based on the amount of reconciled collections.

Overall, we determined that: parking surcharge collections were properly recorded in CCSG and the City's accounting systems and deposited in the City's Treasury; and, that CCSG was properly compensated pursuant to the terms of the Professional Services Agreement.

However, based on our review of the 24 months of parking surcharge collections, CCSG invoices, Finance Department reconciliations, and Oracle payments to CCSG, we noted that 11 (45.8%) of the monthly reconciliations were not accurately prepared by the Finance Department (e.g., reconciling items such as NSF checks were missing, the format used was inconsistent, and there were unnecessary adjustments to the total due).

In addition, we noted that 7 (29.2%) of the monthly payments made to CCSG were not based on the correct amount of 3.95% of reconciled surcharge collections. Instead, CCSG was over/underpaid amounts ranging from \$110 to \$5,020 due to inaccuracies in the monthly reconciliations prepared by the Finance Department. The reason for the discrepancies was that the Finance Department did not pay CCSG based on the amount of actual reconciled collections for the month, but paid based on CCSG's determination of surcharge collections indicated on their invoice. The amounts of over/underpayments were generally a wash with compensating payments being made in subsequent months; however, the net overpayment to CCSG was \$17.

The differences in CCSG's monthly invoices are a result of the fact that CCSG does not have access to the City's bank account information and therefore does not have knowledge of transactions that are not processed through the lockbox (e.g. wire transfers, returned checks, misallocated payments) until notified by the City. Therefore, the invoice packages prepared by CCSG do not account for these transactions until subsequent periods.

RECOMMENDATION 1: (FINANCE DEPARTMENT)

With respect to the monthly reconciliations of surcharge collections prepared by the Finance Department (FD), we recommend that FD develop a consistent format for the reconciliations and include all reconciling items (e.g., wire transfers, returned checks, misallocated payments) in the actual month they occur.

To avoid any over/underpayments and timing issues of payments to CCSG, we recommend that the FD pay CCSG the 3.95% service fee based on the actual amount of surcharge collections in each month as determined by the reconciliation process.

- **Finance Department Response:** Currently, the FD, specifically the Cash Receipts Division, receives a monthly report from CCSG for the previous month's parking surcharge revenues. This report provided by CCSG is then reconciled to an ORACLE AR Memo Line Description Report covering the same period. Differences at the time of reconciliation can be due to but are not limited to payments incorrectly posted to parking surcharge account, or the accrual of revenues to the proper month. Subsequent to the reconciliation, the Accounts Receivable Division of the FD is consulted to determine the total amount of NSF checks, if any. Once the reconciliation is completed then CCSG is paid a 3.95% service fee based on actual collections.

The FD does agree that there should be a consistent format for the reconciliations. Therefore, the Cash Receipts Division will develop a uniformed form to be utilized on a monthly basis. The format will be uniformly displayed so the reconciliation easily comprehensible.

- **Implementation Date:** The planned implementation for the use of a uniformed format will begin with the reconciliation of September 2013 Parking Surcharge revenues.

FINDING 2: IMPROVE COLLECTION EFFORTS FOR NON-COMPLIANT OPERATORS

CCSG is responsible for monitoring that Parking Operators report and pay the correct amount of surcharge to the City. At the end of each month, CCSG sends collection letters to Operators who either did not remit surcharge payments or who remitted payments late (assessing a one-time 10% late payment penalty fee and 1% monthly interest). However, if after 90 days of collection efforts, an Operator fails to comply, CCSG notifies the City's Code Compliance Department. For parking facility Operators in violation of the "City of Miami Parking Facilities Surcharge Ordinance", the Code Compliance Department is responsible for seeking compliance and imposing those penalties described in Chapter 35/Article IX, Section 35-347 of the City Code.

Based on our review of a sample of five months of Aging Reports during the audit period, we noted that the total estimated surcharge due from payments that were 30 days late represented an average of 1.68% (\$557,164) of total surcharge collections (\$33.2 million) over the audit period. Although the total amounts of surcharge collections outstanding represents a small portion of total collections, CCSG's efforts to collect missing/late payments from delinquent Operators could be improved. Based on our review of Aging Reports over the audit period and CCSG's collection efforts with respect to 30 missing/late payments (\$301,658) we noted that:

- For seven (23%) of the late/missing payments tested, CCSG did not send the appropriate collection notice (30-60-90 days) to delinquent Operators.
- For 13 (43.3%) of the late/missing payments tested, CCSG did not assess/collect the correct late payment penalties and interest.
- CCSG did not document in their system the various reasons and circumstances resulting in exceptions to the general procedures for sending collection notices.

We determined the total amount of penalties and interest due from the 30 late/missing payments to be \$34,229. Of this amount \$13,271 (38.8%) was paid to the City, while \$20,958 (61.2%) was not collected from Operators. Of the unpaid amount, \$17,106 was abated by the City Manager leaving a balance of \$3,852 in unpaid penalties and interest from the sample of payments tested.

Over the audit period, CCSG reported that it referred 82 delinquent parking operators to the Code Compliance Department for collection purposes. We reviewed 21 of the cases referred and noted that for 13 (or 62%), the Code Compliance Department did not open a case and take appropriate action. Also, the Code Compliance Department does not have a procedure for tracking parking surcharge referrals from CCSG.

RECOMMENDATION 2.1: (CCSG)

We recommend that each month collection letters be immediately sent to Operators with missing/late payments and that penalties and interest be accurately assessed and collected. In addition, any requests for abatements of penalties and interest should be supported and made in a timely manner.

- **CCSG Response:** The City of Miami and CCSG were in the process of amending the parking surcharge ordinance and regulations to address the problems that the City/Surcharge Administrator was having with the timing of when surcharge payments were remitted to the City. The ordinance/regulations were being clarified to state when the surcharge must be received by the City. No late penalties were assessed to three of the properties mentioned in the auditor report because of this issue. This represents \$1,757.06 or 46% of the amount due (\$3,852)

The payment from Watt's Garage - Columbus Property Inc. for the month of May 2011 was received late, however, CCSG was instructed by the City of Miami not to assess Penalty & Interest because of the ongoing litigation between the City of Miami and Columbus Property Inc. This represents \$882.72 or 23% of the amount due (\$3,852).

Marriott Hotel used to make 13 parking surcharge payments a year because of its accounting cycle. This was an accepted practice and had been going on since September 2005. The amount due represent \$934.84 or 24% of \$3,852. Furthermore, effective, January 2013, the hotel adopted the regular 12 months cycle so this is not an

issue anymore.

The properties mentioned above represent \$3,574 or 93% of the total amount due \$3,852.

Due to limitations of the prior Parking Surcharge Program System, CCSG designed a proprietary software program Parking Surcharge Program System (PSPS) which is customized to administer the parking surcharge program for the City of Miami. It includes modules for tracking parking properties (Properties module,) parking surcharge revenues (Accounting module,) reports, customized searches and operational tools.

Another benefit of CCSG PSPS is that Missing, Late letters and the Aging Reports are automatically created by the system as opposed as in the past. These letters are reviewed by CCSG staff to ensure accuracy and then they are sent to the operators. The system also calculates penalty and interest due automatically for every property as well as increasing the Interest amounts based on incremental months of delinquency.

CCSG will coordinate with the City about the timing of the abatement request process.

- **Implementation Date:** This feature of the Parking Surcharge Program System (PSPS) was implemented in September 2012.

RECOMMENDATION 2.2: (CODE COMPLIANCE DEPARTMENT)

We recommend that the Code Compliance Department create a log to track the email referrals of delinquent parking operators sent by CCSG, immediately create a case in Cityview (the system that tracks the case and alerts the Code Compliance Inspector of the follow-up deadlines), issue a "Notice of Violation" to the Operator, and if necessary follow-up by summoning the Operator to appear in front of the Code Compliance Board.

- **Code Compliance Department Response:** Instead of creating a log we will add a complaint type to reference Parking Surcharge case referrals so that in the future a report may be generated showing any/all progress made on each case related to "Parking Surcharge". The Code Compliance Department currently follows the other procedures recommended.
- **Implementation Date:** On or before October 1, 2013.

FINDING 3: MAXIMIZE THE CITY'S SURCHARGE REVENUE BY IMPROVING CCSG TEST AUDIT PROCEDURES & PLANS

According to Attachment "A", Section 3.1(II)(2. Enforcement) of the City's Professional Services Agreement with CCSG, CCSG is responsible for ensuring "the necessary monitoring and analysis to maximize the City's parking surcharge, including but not limited to, surveillance and test audits." CCSG conducts three types of test audits (Field Surveys, Field Audits, and Record Audits) to ensure that Operators are remitting the correct amount of parking surcharge to the City.

- A. Field Surveys (AKA Observations) – Identify revenue generating parking facilities. Conducted at parking facilities that have special events in areas such as the American

Airlines Arena (AAA), Bayside Marketplace, Bicentennial Park, Marlins Stadium, and Coconut Grove. Also used to identify new properties, confirm information from vendors, and confirm closed properties.

- B. Field Audits – Gauge parking locations’ potential revenue. Information gathered is compared to revenue information reported from Operators to identify Operators who are underreporting.
- C. Record Audits – Every parking facility Owner/Operator is subject to be audited for full compliance, referenced by Section 202c-Levy, of the Surcharge Regulations as promulgated by Article IX of the City Code.

We determined that CCSG developed an annual Audit Plan to address the parking revenue at risk and to maximize the City's parking surcharge. However, the documented Audit Plan focused primarily on the performance of Record Audits. Although CCSG also performs Field Surveys and Field Audits, planning for these was not detailed in the annual Audit Plan.

Field Surveys

Overall, CCSG's performance of Field Surveys needs improvement as they are not being adequately performed/documented to confirm open/closed properties. As a result, the accuracy of properties' registration information and the proper starting and stopping of surcharge collections (in terms of timing and amounts) from Operators is not ensured.

Based on our review of 20 properties which opened and/or closed during the audit period, we noted that for 19 (95%) of the properties, CCSG did not provide a log nor any "Field Survey Observation Forms" documenting observations, comments, or necessary follow-up actions from field surveys performed. Instead, for 12 (60%) of the properties, CCSG provided pictures as evidence of Field Surveys; however none of the pictures provided showed the proper signage as required by Section 403 "Posting of Rates and Regulations" of the Parking Surcharge Regulations.

CCSG has routinely taken photographs as their primary means of documenting the performance of Field Surveys; however, the photographs alone are insufficient to verify the accuracy of registration information and ensure the proper starting and stopping of surcharge collections (in terms of timing and amounts) from Operators.

Field Audits

Overall, CCSG's performance of Field Audits needs improvement to identify and collect surcharge from Operators who are underreporting revenue. Based on our review of 20 Field Audits we noted the following deficiencies:

- CCSG's "User Guide for Test Audit Policies and Procedures" does not specify a particular number of days required for CCSG's Field Audit observation procedures. For 16 (80%) of the Field Audits tested, the number of days that CCSG performed field work at parking facilities was less than the number of days expected based on the procedure confirmed by CCSG during our audit planning. During the exit conference to discuss the audit results, CCSG indicated that the sufficiency of fieldwork is determined by CCSG Field Analysts (on a case-by-case basis) based on industry experience.
- For 17 (85%) of the Field Audits tested, CCSG did not properly complete the Field Audit "Revenue Estimation Form". In each case, either the incorrect number of calendar days or incorrect average of ticket counts from the 'Daily Field Audit Observation Forms' was entered onto the "Revenue Estimation Form". As a result, the "Total Estimated Gross Revenue" amount was not correctly calculated nor properly compared to the "Gross

Revenue Reported" to determine the dollar/percent variance of surcharge to be assessed to Operators found to be under-reporting the parking surcharge.

- For 17 (85%) of the Field Audits tested, CCSG did not properly assess Operators for the underpayment of surcharge based on Field Audit results, as follows:
 - Of the Field Audits tested, two (2) included a sufficient number of days of field work to develop a revenue estimation which resulted in an underpayment with a variance greater than 5% of gross revenue reported. However, in both cases, CCSG did not assess nor collect any additional surcharge from the Operators. In addition, CCSG's calculation of the under reported revenue from both operators totaled, \$1,635 (\$245 surcharge). Meanwhile, OIAG's re-calculation of the under reported revenue totaled \$2,143 (\$321 surcharge) resulting in a \$508 reported revenue (\$76 surcharge assessment) shortfall.
 - For the remaining 15 Field Audits tested, we were unable to determine whether the Operators were under-reporting the surcharge and whether any assessments should have been made. Based on our review of the log showing the "Field Audit Surcharge Assessed" over the audit period, there were no additional payments from these Operators due to the Field Audits.

With respect to the overall performance of Field Audits, CCSG's Field Analysts are not properly documenting the factors considered on a case-by-case basis in their determination of the Field Audit revenue estimations. In addition, in the Field Audit Log, CCSG has been recording exercises used for training purposes as actual Field Audits thereby distorting the actual number of Field Audits performed.

Record Audits

Overall, CCSG's performance of Record Audits is sufficient to confirm compliance with the Surcharge Regulations and identify Operators who are underreporting revenue. However, based on our review of 20 Record Audits we noted that for 3 (15%), CCSG did not properly assess/collect from Operators the underpayment of surcharge based on Record Audit results.

From the 20 record audits tested, we determined that CCSG found \$18,069 of unreported surcharge revenue. Of this amount, Operators paid \$15,497 (86%) to the City, while \$2,576 (14%) was not collected. Of the unpaid amount, \$1,493 was abated by the City Manager leaving a balance of \$1,082 in unpaid surcharge, penalties and interest from the sample of payments tested.

CCSG informed us that \$1,050 of the unpaid amount had been previously waived by the City Manager; however CCSG did not provide any documentation to confirm that the amounts had been waived. For the remaining \$32 of the unpaid amount, CCSG indicated that the parking Operator requested that the amount be waived and included in the next abatement request to the City Manager.

RECOMMENDATION 3.1: (CCSG)

Field Surveys – We recommend that CCSG implement a procedure to properly document the performance of Field Surveys including a Field Survey Log, Observation Form with property information and observation comments, in addition to any pictures taken by Field Analysts.

- **CCSG Response:** It is the operator responsibility to notify the surcharge administrator when a property is closed or they ceased operations of a property. However, CCSG conducts field surveys of the properties that we send missing payment letters to confirm if they are open or closed. Since the findings of the surveys were not properly noted in some of our field surveys logs and in order to be more efficient, CCSG has already implemented the Closed Properties Missing Payments Survey Log that will be completed by our field specialists.
- **Implementation Date:** CCSG has already implemented the Closed Properties Missing Payments Survey Log that will be completed by our field specialists.

RECOMMENDATION 3.2: (CCSG)

Field Audits – We recommend that CCSG Field Analysts properly document the factors considered on a case-by-case basis in their determination of the Field Audit revenue estimations, and correctly complete the “Daily Field Audit Observation” forms and “Revenue Estimation” forms. In addition, we recommend that any exercises used for training purposes not be included in the Field Audit log as a Field Audit performed.

Furthermore, we recommend that CCSG create a test audit plan specifically for Field Surveys & Field Audits to identify the numbers, percentages, areas, etc. to be targeted by the Field Analysts. This way, CCSG can more systematically track the Field Surveys & Field Audits performed and the results of said audits. Another benefit of this procedure will be the ability to assess the performance of the Field Analysts.

- **CCSG Response:** CCSG Test Audit Annual Plan includes already the information required relevant to Field Surveys and specifically about Field Audit target areas:
 - AAA Area
 - Performing Arts Center Area
 - Night Clubs Areas
 - Downtown Area
 - Coconut Grove Area
 - Marry Brickell Village Area
 - Design District
 - Wynwood Art District
 - Marlins Area
 - Other Areas

CCSG’s “User Guide for Test Audit Policies and Procedures” does not specify a particular number of days required for CCSG’s Field Audit observation procedures because a field audit varies according to the type of property in terms of operations (Special Events, Regular etc.), type of rates, turnover ratio, average ticket price, pick hours, seasonality, revenue sources, revenue control equipment, methods of payment, area etc. For a field audit of a Special Event Property, CCSG Fields Analysts must be present in order to ensure that the operator’s reports the correct amount of revenue to the City for that event because if we are not there, we will never know for certainty how much revenue was collected.

The properties around the American Airlines Arena generated \$5,900,000 million dollars (\$881,000 in surcharge) and \$6,400,000 million dollars (\$956,000 in surcharge) in parking revenue in 2010-2011 and 2011-2012 respectively.

On the other hand, a field audit of a property that has a regular schedule (Monday-Sunday) involves a study of the subject property to gauge its potential revenue. CCSG has more flexibility and looks more for patterns like the busiest day, the lowest day and so on and tries to visit the property as many times as possible. When CCSG prepares revenue estimation, it takes into account any factor that could have an impact on the accuracy of the parking revenue estimation such as bad weather, different rates, construction, holidays, number of operating days in a month, etc.

If CCSG is not able to be at the property to conduct all the necessary surveys, then the day or days with the lowest activity are used instead to estimate the potential revenue.

In regards to the specific discrepancies mentioned in the report:

- The estimation variance in one of the two properties was \$905.00 in revenue and \$110.32 in surcharge. The additional surcharge was not assessed because of weather conditions during the field audit period. In regards to the other property, a record audit was conducted based on the results of the field audits. This led to an assessment of \$14,114 in additional revenue and \$2,117.16 in surcharge.
- In the case where there is variance between CCSG field audit figures and the amounts reported by the operator, this information is then used by CCSG to determine if additional field audits are needed or a record audit must be conducted. If it is determined that additional field audits or a record audit must be conducted, CCSG will schedule them accordingly.
- It should be noted that many of the properties sampled for this report were audited by CCSG based on the results of the field audits. A total of \$56,000 in additional revenue was assessed (\$8,400 in surcharge).
- **Implementation Date:** CCSG will start preparing immediately a monthly report for Field Audits and another one for Field Surveys instead of the combined report that used to be prepared in the past. CCSG will then prepare a monthly summary Field Audit report based on the Monthly Field Audit survey logs to include the findings regarding abnormalities, revenue discrepancies and other issues. CCSG personnel have already been instructed to properly document the parking surcharge surveys logs. In regards to the properties that CCSG did not visit as many times as needed, CCSG will conduct additional field audits to ensure compliance.

RECOMMENDATION 3.3: (CCSG)

Record Audits – We recommend that CCSG develop a procedure to document and maintain support for any revisions made to the Record Audit assessment amounts and for any amounts waived by the City Manager.

- **CCSG Response:** Penalty and Interest for two properties for a total of \$1,050.65 were waived by the City Manager. Since the operator of these two properties failed to pay the parking surcharge including Penalty and Interest (P&I), the owners of the properties were required to pay the amounts due. The owner's representatives met with the City Manager and Finance Director and agreed to pay the surcharge due but requested the

City to waive P&I. This request was granted by the City Manager. In regards to the remaining \$32.00 in P & I, the operator requested an abatement but CCSG did not include it by mistake in the February 2013 report to the City, but will do so in the next abatement request.

- **Implementation Date:** CCSG has ensured that all the required supporting documentation regarding amounts waived by the City is properly maintained.

FINDING 4: IMPROVE CONTROLS OVER BUSINESS TAX RECEIPTS TO ENHANCE REVENUE & COMPLIANCE

According to Chapter 31, Article II of the City Code, “As a condition precedent to engaging in or operating in the city any business,...whether as owner, agent, employee, manager or operator, a Business Tax Receipt (BTR) shall be procured from the city..., on or before October 1 of each year. Any ... business entity conducting any business, ...,who does not possess a valid and current BTR and display the same as required... shall be guilty of a misdemeanor, and upon conviction shall be punished.” (Sec. 31-26)

Each year, CCSG and the City’s Finance Department work together to identify those Operators who are not in compliance by reconciling the parking operators registered with CCSG with those businesses having a valid BTR registration with the City. Based on the annual registration reconciliation performed, of the 457 parking facilities listed as being active in CCSG’s PSP Database, 213 (46.6%) parking facilities were determined to be non-compliant with the annual BTR requirement. Based on our walkthrough of the BTR process with the Finance Department we learned that some Operators come to the City to obtain the BTR and pay the required fee; however, the BTR may be placed on hold and they may not receive the BTR due to missing requirements.

In order to verify the accuracy of the reconciliation, we reviewed 20 parking facilities that were reported in the reconciliation as being non-compliant with the City’s Local Business Tax Receipts requirement, and noted the following deficiencies:

- One (5%) non-compliant with CCSG’s annual registration requirement.
- 19 (95%) non-compliant with the City’s Local Business Tax Receipt requirement.
- Overall, appropriate steps were not taken by CCSG, the City’s Finance and Code Compliance Departments to ensure that parking facilities were in compliance with the CCSG registration and BTR requirements.

During the audit, we learned that BTRs are being placed on hold and therefore not being issued to Operators who have not completed the annual registration required by CCSG. Since the City’s BTR and CCSG’s registration requirements are separate, an Operator’s lack of compliance with the CCSG’s registration requirement should not preclude them from obtaining the BTR – lack of which is criminally punishable.

In addition, we noted that the Code Compliance Department was not notified by CCSG nor the Finance-BTR Department of the results of the reconciliation performed to identify non-compliant Operators and take steps to enforce compliance.

RECOMMENDATION 4.1: (FINANCE DEPARTMENT)

We recommend that BTRs not be placed on hold for lack of compliance with CCSG's registration requirement as these are two separate requirements.

We also recommend that the reconciliation performed to identify Operators who are not compliant with the BTR requirement be provided to the Code Compliance Department to enforce compliance.

- **Finance Department Response:** Per the Code of the City of Miami Sec. 31-35, the grounds for the denial of the issuance of a BTR does not include an applicant's lack of compliance with CCSG's registration requirement; but does include the inability of the applicant to present a valid and current certificate of use. However, Per Sec 2-211, the zoning administrator may deny the issuance or renewal of a certificate of use for good cause. Therefore, as indicated by the OAIG's review of the 20 parking facilities there was not a BTR issued for any business that did not have a valid Certificate of Use, with the exception of the Christ Fellowship, which is exempt from the BTR requirement.

With the implementation of Miami Biz, if a BTR applicant cannot present a valid Certificate of Use then there is no information captured in the system and the applicant is notified of the proper processes and requirements. However, all applicants are required to sign in with a business name and address. When it is determined a business is not in possession of all required documentation, they will be asked to return once all documentation is available. At the end of business each day, a copy of the sign-in sheet indicating whether they were successful in applying for a BTR or not will be forwarded to Code Compliance for documentation and follow-up.

It is the desire of the FD to ensure compliance and maintain best practices. Therefore, in conjunction with this audit response two legal service requests will be prepared to determine the following:

- Does the City of Miami have the authority to withhold a BTR due to lack of compliance with CCSG registration requirement?
 - What is the City of Miami's exposure to accepting payment for BTR but placing BTR on hold until applicant has provided required documentation?
- **Implementation Date:** Procedure effective immediately.

RECOMMENDATION 4.2: (CODE COMPLIANCE DEPARTMENT)

For any Operators referred by the City's Finance Department or CCSG to the Code Compliance Department for being non-compliant with the City's BTR requirement, we recommend that the Code Compliance Department immediately create a case in Cityview (the system that tracks the case and alerts the Code Compliance Inspector of the follow-up deadlines), issue a "Notice of Violation" to the Operator, and if necessary follow-up by summoning the Operator to appear in front of the Code Compliance Board.

- **Code Compliance Department Response:** The Code Compliance Department currently follows this procedure.
- **Implementation Date:** Currently in effect.

FINDING 5: REEVALUATE THE CITY'S ACCEPTED TECHNIQUES USED TO CALCULATE THE PARKING SURCHARGE FOR STATE SALES TAX CONSIDERATION

According to Florida Statute 212.03 (6) F.S. "It is the legislative intent that every person is engaging in a taxable privilege who leases or rents parking or storage places for motor vehicles in parking lots or garages... For the exercise of this privilege, a tax is hereby levied at the rate of 6 percent on the total rental charged." In addition, Florida Rule 12A-1.073 (1)(a) F.A.C. states that "the lease or rental of parking or storage space for motor vehicles in parking lots or garages is taxable."

As per Article VII, Section 701 of the City of Miami *Parking Surcharge Regulations*, provided to assist Operators with the calculation of the Parking Surcharge, "the City will accept payment of the Surcharge employing one of the techniques listed below to compute the Surcharge and must be consistent in each Surcharge reporting period.

Technique A: Where total collections include the parking charge plus the Surcharge, the total collections are multiplied by the reciprocal Surcharge rate of .130435. [Note: Total includes Surcharge less Sales Tax]

Technique B: The Surcharge total taken from the individual cash register tapes showing the parking fee, the Surcharge charged, the sales tax charged and the total collected; or individual Surcharge records for each ticket showing the complete transaction.

Technique C: Where individual Surcharge collection records are not kept for each ticket, fifteen percent (15%) of the entire parking fee paid by the customer will be collected.

Technique D: Where individual Surcharge collection records include the parking charge, sales tax & Surcharge, divide by reciprocal of sales tax and Surcharge rate and then multiplied by Surcharge percentage."

Of the above four computation techniques, Techniques A, B, and D all include consideration of the payment of sales taxes as part of the parking transaction; whereas Technique C does not take sales taxes into account. It should be noted that Technique C is used by some Operators and by CCSG to calculate the surcharge due from Operators being record audited who have not remitted surcharge to the City and who have not maintained any records to support the surcharge due to the City, as required.

By using Technique C as a computation technique, the amount of surcharge remitted to the City will be greater since there is no assumption that the sales tax is a portion of the total amount collected (i.e., the technique assumes that an Operator did not collect for sales taxes). For example, if the total collection equals \$5,000 using Technique D to calculate the surcharge would result in \$609.50 surcharge due to the City ($\$5,000 / 1.07 \text{ Sales Tax} / 1.15 \text{ Surcharge} \times 15\% \text{ Surcharge Rate}$); whereas, using Technique C to calculate the surcharge would result in \$750 surcharge due to the City ($\$5,000 \times 15\% \text{ Surcharge Rate}$).

The cause of the issue seems to be lack of definitive guidance on the applicability of sales tax to all parking transactions. Accordingly, the apparent conflict between Florida Rule requiring sales tax on the lease and rental of parking spaces and the City's Technique C under its *Parking Surcharge Regulations* needs clarification.

RECOMMENDATION 5: (OFFICE OF MANAGEMENT & BUDGET)

As per our understanding of the Florida statutes and rules, sales tax applies on the charges paid for the rental of parking spaces; and as such it should be assumed that every operator is registered with the Florida Department of Revenue (DOR) and collecting sales tax under the provisions established by the DOR. However, we recommend that OMB obtain a legal opinion from the City Attorney's Office (and possibly a Technical Assistance Advisement from the Florida Department of Revenue) regarding the applicability of sales tax to all parking transactions and the use of "Technique C" as a computation technique in the *Parking Surcharge Regulations*. Based on this evaluation, if it definitively determined that sales taxes apply to all parking transactions, then we recommend that the *Parking Surcharge Regulations* be revised to exclude "Technique C" as a computation technique.

- **OMB Response:** The techniques provided in the City of Miami Parking Surcharge Regulations are for the purpose of calculating the City's Parking Surcharge based upon various scenarios. Technique C is used in the event adequate surcharge collections records are not maintained by the Operator. The example of Technique C noted in the Parking Surcharge Regulations calculates the total parking surcharge due to the City based upon the parking fee paid by the customer less sales tax times the surcharge rate.

It is important to note that it is not responsibility of the City to monitor and/or support the decision of any Operator on whether or not to collect and remit Florida Sales Tax. Any decision regarding the collection and remittance of Florida Sales Tax is made at the Operator's own risk and should be based upon information provided by the Florida Department of Revenue.

- **Implementation Date:** OMB will consult with the City Attorney to determine whether or not the current techniques are applicable to the calculation of the parking surcharge before November 8, 2013.

FINDING 6: DOCUMENT THE CITY'S PLANS FOR MONITORING THE PARKING SURCHARGE PROGRAM & CCSG

According to the City of Miami *Parking Surcharge Regulations*, "Principal Responsibility for surcharge administration in the City of Miami is held by the Director of the Department of Finance of the City of Miami, Florida." However, during the entrance conference for the audit we learned that the Parking Surcharge Program was formerly administered through the Department of Finance; however, as of October 1, 2012 it is being administered by the Office of Management & Budget (OMB). We were further informed that the change occurred due to issues with the payments to CCSG coming out of the Finance Department's operating expense budget line item. The payments to the parking vendor are a percentage based on the amount of surcharge collections; therefore, as collections increased so did the payments to CCSG - which created operating budget shortages to the Finance Department (since these increases had not been budgeted for). To correct this problem, OMB made a proposal to switch the budgetary line item from the Finance Department's operating expense to a Non-Departmental budgetary line item. Non-Departmental budget items fall under OMB; therefore, it was decided for oversight of the contract to move from Finance to OMB.

Although this change in administrative responsibility occurred internally, it has not been amended in the Parking Surcharge Regulations. In addition, neither the Finance Department nor OMB had a written plan including specific procedures for overseeing the Parking Surcharge Program and Parking Administrator, CCSG.

Upon request, OMB indicated that they had met with CCSG several times, that CCSG regularly reports the parking surcharge collections to OMB, and that OMB intends to prepare a concise procedure for overseeing the program. Later, OMB provided the following plan by email: "The plan has three phases. First, we will periodically request to the Internal Auditor for "Audits". Second, we plan to perform a monthly analysis [by] collecting information and attempting to spot patterns or trends, and the last phase is to have Finance, BTR section, Code Compliance to coordinate with CCSG to ensure that all BTR requests for parking are registered with CCSG."

Although CCSG is the Parking Surcharge Administrator it is important that the City have a plan to monitor their operations and have controls in place to ensure that the City is receiving the correct amount of parking surcharge fees from all parking facilities in the City.

RECOMMENDATION 6: (OFFICE OF MANAGEMENT & BUDGET)

We recommend that the *Parking Surcharge Regulations* be amended to reflect that the principal responsibility for surcharge administration is now held by OMB as opposed to the Finance Department.

In addition, we recommend that the plan proposed by OMB to monitor the operations of CCSG (i.e. to provide oversight of the City's Parking Surcharge Program) be further developed to include specifics of the "monthly analysis" that will be performed, which person(s) within the department will perform which monitoring duties, exact time frames for these duties to occur, as well as a target implementation date to complete the plan.

- **OMB Response:** CCSG has provided the OMB with a revised version of the Parking Surcharge Regulations which has been submitted to the City Attorney's Office for review. Upon review, the Regulations will be routed to the City Manager for final approval.

Additionally, OMB has developed a more comprehensive policy and procedures manual for the monitoring of the Parking Surcharge Program. It is a collaborative effort and OMB is working closely with Finance and Code Compliance to ensure that the appropriate steps are taken which would enhance internal controls and oversight of CCSG and ultimately the various parking operators within the City of Miami.

- **Implementation Date:** OMB will route the Parking Surcharge Regulations to the City Manager for final approval after the City Attorney has reviewed them. While final approval is outside of OMB's control, OMB will attempt to complete this task prior to November 29, 2013.

FINDING 7: PRIOR AUDIT (#09-006) FOLLOW-UP

As part of our audit procedures, we follow-up on prior audit findings and recommendations to determine their current status. On September 29, 2009 our office issued an Audit of Parking Surcharge Fees (Audit #09-006) for the audit period 10/1/06 – 9/30/08. Although CCSG was not yet the Parking Administrator, we asked them to provide us with any insight/knowledge they may have about the following audit issues and any developments that may have occurred since the prior audit report was issued. CCSG's responses are shown below.

The full Audit Report (#09-006 "Audit of the City of Miami's Parking Surcharge Fees") can be accessed on the OIAG website at www.miamigov.com/internal_audits. However, the titles of the audit issues, excerpts of management's responses, as taken from the report, as well as the respective page numbers for where the complete audit findings can be found, are indicated below.

1. Department of Off-Street Parking - Parking Surcharge Revenues Generated from Pay & Display Machines are Not Being Assessed, Collected, and Remitted to the City (\$1.1 Million). (Audit #09-006 report page 18)

The former City Manager's response to the finding indicated that his "recommendation is that the parking surcharge not be collected from on-street parking. Alternatively, if the parking surcharge is to be collected from on-street parking, the City Commission would have to consider increasing parking fees for on-street parking in order to cover the costs that will result for the fees that will have to be paid to [the City's Parking Administrator]." However, we have not been provided with any evidence that this matter was discussed with the City Commission for their consideration.

CCSG Response: "As of May 29, 2013, CCSG has not received any instruction from the City of Miami to collect Parking Surcharge from On-Street Parking."

2. Two Miami-Dade County Agencies are Not Remitting Parking Surcharge Revenues to the City (\$973,000). (Audit #09-006 report page 20)

Although, we recommended that the City Manager's Office consult with the Office of the City Attorney and take the appropriate legal action, we have not been provided with any evidence that this has occurred.

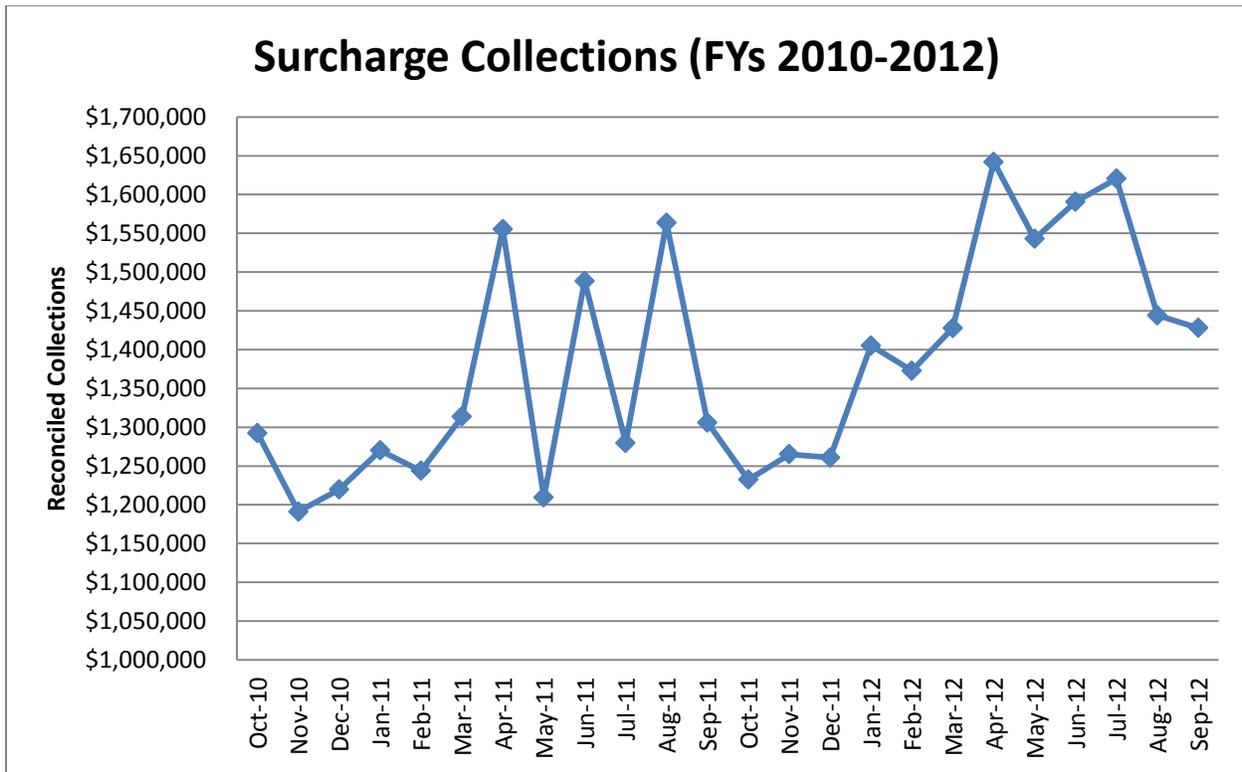
CCSG Response: "Miami Dade County GSA and Transit have not made any parking surcharge payments since October 2004. CCSG as well as the prior Parking Administrator (TPN) have referred this matter to different departments of the City of Miami such as Finance, Legal, and the Office of the City Manager. As of May 29, 2013, CCSG continue to send correspondence, but has not received any payments from these two county agencies."

RECOMMENDATION 7: (OFFICE OF MANAGEMENT & BUDGET)

We recommend that City Administration resolve these prior audit issues as both findings involve significant amounts of potential revenue to the City.

- **OMB Response:** OMB will consult with City Administration and the City Attorney to determine the best and most appropriate course of action for resolving the prior audit findings.
- **Implementation Date:** Before November 15, 2013.

**EXHIBIT 1 – GRAPH OF SURCHARGE COLLECTIONS
(FY 2010-2011 & FY 2011-2012)**



FY 2010-2011

Period	Reconciled Surcharge Collections
Oct-10	\$1,292,233
Nov-10	1,191,086
Dec-10	1,219,748
Jan-11	1,269,954
Feb-11	1,243,720
Mar-11	1,313,595
Apr-11	1,555,421
May-11	1,209,238
Jun-11	1,488,556
Jul-11	1,279,576
Aug-11	1,563,547
Sep-11	1,305,953

\$15,932,626

FY 2011-2012

Period	Reconciled Surcharge Collections
Oct-11	\$1,232,206
Nov-11	1,265,180
Dec-11	1,260,723
Jan-12	1,405,115
Feb-12	1,372,804
Mar-12	1,427,700
Apr-12	1,641,862
May-12	1,542,893
Jun-12	1,590,713
Jul-12	1,620,447
Aug-12	1,444,198
Sep-12	1,428,072

\$17,231,912