

City of Miami

THEODORE P. GUBA, CPA, CIA, CFE
INDEPENDENT AUDITOR GENERAL

Telephone (305) 416-2044

E-Mail: tguba@miamigov.com



September 17, 2015

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

Re: Audit of Administrative Towing Fees for the period October 1, 2009 through September 30, 2014
Audit #15-012

Executive Summary

We have completed an audit of selected towing fee collections and administrative towing fee payments made to the City of Miami (City) by towing companies contracted to do business in the City. Our audit covered the period primarily from October 1, 2009 through September 30, 2014.

The audit was performed to determine whether the City is collecting accurate administrative towing fees from contracted towing companies and whether the companies were properly charging vehicle owners and operating in compliance with written agreements and the City Code (Code). We also conducted an examination of the existence and/or effectiveness of internal control policies and procedures within the Miami Police Department (MPD) with regards to its responsibility for ensuring Code and contractual compliance by towing companies. During the audit period noted above, annual administrative towing fees collected from towing companies averaged approximately \$279,000. During our audit fieldwork, we examined the propriety of one month of towing invoices charged to vehicle owners totaling \$69,813 from four judgmentally selected towing companies.

Based on the results of our audit, we have concluded that MPD's procedures and controls over the towing companies operating in the City were inadequate. Specifically, MPD personnel did not monitor towing company operations to ensure that customers were charged the correct towing rates, and controls were not in place to ensure that towing companies paid all of the City administrative fees owed. As such, we observed the following:

- Signage required to display towing rates were incorrect and were not located so that rates could be easily viewed by customers. (Schedule 1, page 4).
- Towing receipts/invoices totaling \$69,813, for one full month for each of four contracted towing companies, revealed exceptions totaling **\$43,224** (or **62%**) that included overcharges to customers (\$8,281), unexplained charges (\$4,358) and/or missing pickup and release times (\$32,761). (See page 6 and Schedule 2).
- Controls over non-released vehicles, towing fee collection procedures, and tow activity reporting were inadequate; consequently:

- Nine companies potentially owe the City **\$51,430**, of which **\$7,798** has already been collected as a result of our audit (page 13 and Schedule 4 on page 13);
- Two companies owe the City **\$1,340** in additional administrative fees (page 9 and Schedule 3 on page 9); and,
- Six companies have outstanding administrative fee balances totaling **\$16,032** that are from 22 to 933 days past due to the City (page 15 and Schedule 5 on page 15).

- Procedures need to be created to ensure that tow companies possess/renew occupational licenses.

We provided management with recommendations to correct the above deficiencies including having City management obtain and implement a system that would not only mitigate vehicle owner overcharges, but also facilitate accurate and timely administrative fee billings that would enhance City revenue.

We wish to express our appreciation for the cooperation and courtesies extended to us by all City personnel while conducting this audit.

Sincerely,



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

- cc: The Honorable Mayor Tomas Regalado
 Daniel Alfonso, City Manager
 Victoria Mendez, City Attorney
 Todd Hannon, City Clerk
 Alberto Parjus, Assistant City Manager
 Fernando Casamayor, Assistant City Manager/Chief Financial Officer
 Nzeribe Ihekwebaba, Assistant City Manager/Chief of Operations
 Rodolfo Llanes, Chief, Miami Police Department
 Jorge Gomez, Assistant Chief, Miami Police Department
 Keith Cunningham, Major, Miami Police Department
 Alberto Alberto, Jr., Major, Miami Police Department
 Mario Dell Amico, Police Sergeant, Miami Police Department
 Juancarlo Erigoyen, Police Officer, Miami Police Department
 Michelle Choi, Budget and Finance Manager, Miami Police Department
 Lidia Aguirre, Senior Accountant, Miami Police Department
 Christopher Rose, Director, Office of Management and Budget
 Jose Fernandez, Director, Finance Department
 Armando Blanco, Treasurer, Finance Department
 Demetrio Constantiny, Accounts Receivable Supervisor, Finance Department
 Members of the Audit Advisory Committee
 Audit Documentation File

Audit conducted by: Marcus Cabral, CPA, CISA, Senior Auditor
 Paulino Garcia, Staff Auditor

Audit reviewed by: Lewis R. Blake, CPA, CIA, Audit Manager

AUDIT OF ADMINISTRATIVE TOWING FEES
OCTOBER 1, 2009 through September 30, 2014
Audit No. 15-012

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SCOPE, OBJECTIVES AND METHODOLOGY

The scope of the audit included an examination of the procedures and controls over the City's collection processes of administrative towing fees and controls/oversight of towing company activities. The audit primarily covered the period October 1, 2009 through September 30, 2014 and focused on the following objectives:

- To determine whether towing companies, that were contracted to render towing services within the City pursuant to the towing agreement, assessed vehicle owners' fees/charges that were in compliance with the City Code and/or the towing agreement when applicable;
- To determine whether administrative fees owed to the City were processed and remitted to the City as required by the towing agreement and City Code;
- To determine whether the towing companies obtained occupational licenses as stipulated in the City Code;
- To determine whether the towing companies acquired the appropriate insurance coverage as mandated by the towing agreement and City Code;
- To assess the effectiveness of internal control policies and procedures within the responsible department;
- Other audit procedures as deemed necessary.

We conducted this audit 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:

- Interviews and inquiries of appropriate personnel.
- Reviews of written policies and procedures in order to gain an understanding of the internal controls.
- Observations of current practices and processing techniques.
- Tests of applicable transactions and records.
- Other audit procedures as deemed necessary.

BACKGROUND

On December 21, 2006, the City of Miami (City) executed a Towing/Wrecker Agreement (Agreement) with eight companies to provide Miami Police Department (MPD) dispatched towing and wrecker services for private vehicles (e.g., for accidents, arrests, etc.). The Agreement was for the period starting July 13, 2006 through July 12, 2009, with a two year renewal option period through July 13, 2011. The contract has continued to remain active through temporary extensions. Management plans to formalize a new contract later this calendar year.

In addition to the contracted towing companies, there are approximately twenty towing companies that are permitted to perform private property tows (non-consensual tows) within the City.

Contracted tow companies should provide services and charge vehicle owners fees in accordance with the Agreement and Chapter 42 of the City Code. All other companies, that are not part of the Agreement, should adhere to the provisions in the Code.

Each of the contracted towing companies are assigned a zone (geographic boundary within the City) in which to operate; and, as consideration, each company is required to pay the City a monthly towing administrative fee of \$26 per tow (as of the date of our testing) within their assigned zone. Non-contracted companies are required to pay the City an administrative fee of \$16 per tow.

The MPD Wrecker Detail (Wrecker Detail) is responsible for overseeing towing companies operating in the City; and, MPD Criminal Investigation Section (CIS) desk operators are responsible for gathering and reporting towing activity data (e.g., address/location, case number, vehicle license plate number, etc.) that serves as the basis for monthly billings of towing administrative fee invoices by the City's Finance Department (FD).

Towing activity data is reported to CIS desk operators who enter the data into the Computer Automated Dispatching system (CAD). The data is then arranged by the MPD Budget Unit (BU) into individual "Miami Police Towing Administrative Fee Remittance Reports" that contain towing activity specific to each tow company.

The BU forwards respective monthly reports to each company for review and reconciliation; and, upon making revisions to their respective reports, the companies return them to the BU. Towing activity data attributable to each company is then summarized (i.e. total tows performed; the number of released vehicles multiplied by the applicable administrative fee; total invoice amount) and forwarded to the City's FD Accounts Receivables Section (AR) for towing administrative fee invoicing and billing.

Total revenues generated from towing administrative fees during fiscal year 2014 (FY 2014) were \$291,043 of which \$206,726 or 71 percent were attributable to the eight contracted companies.

City's Administrative Towing Fee Revenue						
Fiscal Year	2014	2013	2012	2011	2010	2009
Total	\$291K	\$304K	\$265K	\$261K	\$252K	\$300K
Average Annual Revenues: \$279K						

AUDIT FINDINGS AND RECOMMENDATIONS

Overall Conclusion: Based on the results of our audit, we have concluded that MPD’s procedures and controls over the towing companies operating in the City were inadequate. Specifically, MPD personnel did not monitor towing company operations to ensure that customers were charged the correct towing rates, and controls were not in place to ensure that towing companies paid the City administrative fees owed. As such, we observed the following:

- Signage required to display towing rates were incorrect and were not located so that rates could be easily viewed by customers. (Schedule 1, page 4).
- Towing receipts/invoices totaling \$69,813, for one full month for each of four contracted towing companies, revealed exceptions totaling **\$43,224** (or **62%**) that included overcharges to customers (\$8,281), unexplained charges (\$4,358) and/or missing pickup and release times (\$32,761). (See page 6 and Schedule 2).
- Controls over non-released vehicles, towing fee collection procedures, and tow activity reporting were inadequate; consequently:
 - Nine companies potentially owe the City **\$51,430**, of which **\$7,798** has already been collected as a result of our audit (page 13 and Schedule 4 on page 13);
 - Two companies owe the City **\$1,340** in additional administrative fees (page 9 and Schedule 3 on page 9); and,
 - Six companies have outstanding administrative fee balances totaling **\$16,032** that are from 22 to 933 days past due to the City (page 15 and Schedule 5 on page 15).
- Procedures need to be created for ensuring that tow companies possess/renew occupational licenses

Details of our findings and recommendations follow:

FINDING 1: SIGNAGE SHOULD LIST ACCURATE TOW RATES AND BE POSTED AT THE POINT OF PAYMENT

The City Code lists maximum private property towing and storage rates (see table below) which must be posted and easily readable at the customer's point of payment. The applicable rates depend upon the weight/size of the towed vehicle (e.g., Class A or Class B), rather than the actual wrecker equipment (i.e. truck) utilized. Base rates shall include a “Towing Agency Fee” (e.g., \$52.50 for Class A) plus the \$16.00 “City Administrative Charge” payable to the City.

Class A	Base Rate – \$68.00 **	Towing Agency – \$52.50	City Administrative Charge - \$16.00
Class B	Base Rate – \$79.00	Towing Agency – \$63.00	City Administrative Charge - \$16.00
Class C	Base Rate – \$105.00	Towing Agency – \$89.00	City Administrative Charge - \$16.00
Class D	Base Rate – \$131.00	Towing Agency – \$115.50	City Administrative Charge - \$16.00

** There is an error in the City Code for the “Base Rate” for Class A tows which should equal **\$68.50** (\$52.50 Towing Agency Fee + \$16.00 City Administrative Fee). However, upon audit inquiry, we were informed that proposed revisions to the Code will rectify this error.

We also observed the signage for maximum police towing and storage rates and did not note any exceptions.

Observations:

Our walkthrough of four contracted towing company sites revealed that, in many instances, posted signs had tow rates in excess of the maximum tow rates required by the Code. The schedule below (Schedule 1) provides a comparison between maximum allowable charges pursuant to the Code and charges posted by the respective towing companies.

SCHEDULE 1

COMPARISON OF MAXIMUM TOW RATES AND AMOUNTS POSTED BY TOWING COMPANIES

Tow Class/Charge Type	Maximum Private Property Tow Rates Per Code	King's Wrecker (see Note 1)	Ted & Stan's (see Note 2)	Nu-Way Towing (see Note 3)	Molina Towing (see Note 4)
Class A	\$52.50	\$101.00	\$65.00	\$68.00	Rates Not Posted
Class B	\$79.00	\$165.00	\$165.00	\$79.00	Rates Not Posted
Class C	\$105.00	\$235.00	\$235.00	\$105.00	Rates Not Posted
Class D	\$131.00	Rates Not Posted	\$300.00	\$131.00	Rates Not Posted
City Fee	\$16.00	\$16.00	\$15.00	Not Posted	Rates Not Posted
Daily storage Rate (First 6 hours – no charge)	\$12.50	\$20.00	\$20.00	\$20.00	Rates Not Posted
Administrative Services Fee (After 24 hours)	\$10.50	\$30.00	\$32.00	\$10.50	Rates Not Posted

Note 1 - King’s Wrecker:

Although the City Code requires that towing rates be posted in easily readable form at the customer's point of payment, King’s Wrecker’s posted signs in two locations. One sign listed correct towing rates that were posted in a location that was at least ten feet away from the payment window and was not “easily readable” by customers. They also posted a sign next to the payment window that included rates that differed from those required in the ordinance, as depicted in the chart above. Our testing disclosed that customers were charged the rates listed on the sign that exceeded maximum amounts. However, shortly after our site visit we informed the MPD of our observations, and the sign listing the excessive rates was removed.

Note 2 - Ted & Stan's Towing Service, Inc.:

In addition to posting and charging excessive rates, we noted a sign posted at the site stating that “**All cash paying customers must pay in exact change. We do not provide change at all!!! No Exceptions.**” This language is a violation of the City Code (Method of Payment) which states that “persons operating or in charge of the storage facility shall have sufficient moneys on the premises to accommodate and make change in, a reasonable monetary transaction.”

Note 3 - Nu-Way Towing, Inc.:

We noted the private property tow rates were posted on the front window of the entrance of Nu-Way Towing and stated “Private Property Tows”. The signage did not state that the rates applied to City of Miami private property tows, which differed from the County (Miami-Dade County) rates at the time of our audit. Furthermore, the rates were not at the customer’s “point of payment” location as required by the City Code.

Note 4 - Molina Towing, Inc.:

Molina Towing’s site did not have any signs showing the City of Miami private property tow rates as required by the Code. However, our testing indicated that they did not charge customers in excess of the maximum rates.

Finally, we noted that site visits were not periodically conducted by MPD personnel to ensure that towing companies post the proper signage to inform customers of the maximum amounts that can be charged.

RECOMMENDATION 1.1: Miami Police Department (MPD)

We recommend that the MPD conduct periodic site visits to ensure that towing companies comply with all aspects of the City Code, including the posting of maximum towing rates for private property tows.

- **MPD Response:**

As per our MPD Wrecker Detail Standard Operating Procedure (SOP 1, A and SOP 1, L,2), we have and will continue to conduct “Spot-check” inspections of all tow yards to ensure the rates are correct and signage is properly posted. Furthermore, we will be adding to SOP 1, L, 2 that wrecker detail officers will take photographs of each tow yards signage and keeping them in the towing companies file for our records. The procedure of the photographs will be done on every inspection.

- **Implementation Date:** 08-24-2015

FINDING 2: MONITOR TOW COMPANY OPERATIONS TO ENSURE THAT CUSTOMERS ARE NOT OVERCHARGED

In addition to the maximum towing and storage rates that are required to be posted by towing companies (base rates, towing agency rates and City administrative charges) as outlined in Finding 1, City Code also allows towing companies to impose a \$10.50 “Administrative Service Charge” on vehicle owners in order to defray the costs of verifying vehicle ownership information and preparing other paperwork associated with a vehicle tow that has been stored for at least 24 hours.

Once a vehicle is towed, companies may also impose “Storage Charges” of \$12.50 per day if the vehicle is stored in excess of six hours. Also, if a vehicle owner arrives at the scene subsequent to their vehicle being connected to the tow truck, companies should release the vehicle and charge the owner one-half of the agency rate (i.e., $\$52.50 \div 2$ or, \$26.50).

Finally, the Agreement requires contracted towing companies to fully itemize all bills, which includes the towed vehicle arrival and departure (“pick up and release”) time information to be noted on standard forms acceptable to City. This information documents and enables the calculation of accurate storage charges and administrative service fees. If a towing company charges a vehicle owner an excessive towing or storage charge, the company must refund the vehicle owner three times the amount of the overcharge.

Observations:

In order to review compliance with the above provisions, we examined receipts/invoices for one full month for each of four contracted towing companies totaling **\$69,813**. The tows were conducted between the months of October 2014 through January 2015 and pertain to both private property and police tows. As indicated in Schedule 2 below, our review disclosed that exceptions totaling **\$43,224** (or **62%**) indicated overcharges to customers totaling (\$8,281), unexplained charges (\$4,358) and/or missing pickup and release times (\$32,761 = \$20,771 attributed to Ted & Stan’s Towing + \$11,990 attributed to Nu-Way Towing). It should be noted that all of the invoices examined for Ted & Stan’s Towing and Nu-Way Towing had documentation exceptions. As a result, we were unable to ascertain if there were additional overcharges for these two companies that related to storage/administrative service charges.

SCHEDULE 2						
SUMMARY OF EXCEPTIONS: OVERCHARGES, UNEXPLAINED CHARGES AND MISSING DATA						
Towing Company	Total Invoices Examined	Exceptions			Total Exceptions	Overall Exception Rate
		Exceptions: Overcharges	Exceptions: Unexplained Charges	Exceptions: Missing Pickup/Release Data		
King's Wrecker (Dec-2014 invoices)	\$24,662	\$6,105 ¹	\$4,358 ²	\$0	\$10,463	42%
Ted & Stan's Towing (Oct-2014 invoices)	\$20,771	\$1,766 ¹	\$0	\$20,771 ³	\$20,771	100%
Nu-Way Towing (Jan-2015 invoices)	\$11,990	\$410 ¹	\$0	\$11,990 ³	\$11,990	100%
Molina Towing (Oct-2014)	\$12,390	\$0	\$0	\$0	\$0	0%
Totals	\$69,813	\$8,281 (See #1 below)	\$4,358 (See #2 below)	Note 1 (See #3 below)	\$43,224	62%

(1) Customer Overcharges were primarily due to charging the incorrect rates that were posted at towing company sites as described in Finding 1 (base rates, towing agency rates and city administrative charges). As a result, the companies overcharged customers a total amount of **\$8,281**.

- (2) The unexplained charges totaling **\$4,358** were noted in the “other” field of King’s Wreckers receipts and the charges ranged from \$30 to \$132. Five charges totaling \$504 had explanations which were inadequate, including three charges for “waiting”, one charge for “extra labor” and one charge for “clean up”. The Agreement allows for extra charges on the scene and are based on 15 minute intervals. However, we were unable to determine whether the “waiting” charges were in compliance with the Agreement as the actual waiting time was not noted on the receipt. The Agreement does not allow for additional charges for “extra labor” or “clean up”.
- (3) Our review of Ted & Stan’s and Nu-Way Towing’s invoices totaling **\$32,761**, for the months of October, 2014 and January, 2015 respectively, disclosed that vehicle pickup and release times were not recorded as required by the Agreement. Storage for the first six hours should be at no charge as stated in the City Code. Without this information, we were unable to determine whether storage charges and administrative service charges to customers were justified and in compliance with the Code. We have noted that every invoice reviewed for Ted & Stan’s private property tows included one day of storage and administrative service charges to customers. These charges were appropriate only if each car was at Ted & Stan’s storage for over 24 hours. In contrast, we noted that out of 18 tows examined, Nu-Way Towing only included administrative service fees and storage fees on five invoices (or 28%).

Finally, we noted that site visits were not periodically conducted to ensure that towing companies complied with contract and City Code requirements.

RECOMMENDATION 2.1: Miami Police Department (MPD)

To ensure that customers are not overcharged, we recommend that the MPD conduct periodic (quarterly or semiannually) surprise reviews of towing company charges to customers. In addition, the MPD should enforce City Ordinance § 42-109 part (b) which requires towing companies to refund the vehicle owner three times the amount of the overcharge for excessive towing fees.

- **MPD Response:**

Since the audit, the City of Miami has adopted the same towing rates as Miami Dade County. This action has alleviated towing companies from having two different signs posted at their lots which caused confusion to the customers. As per MPD Wrecker Detail Standard Operating Procedure (SOP 1, R) the wrecker detail officer will inspect the records of Towing Companies to ensure that the correct fees are being charged by reviewing the actual customer receipts and comparing them to the fee schedule. We will also be looking for “additional charges” and making sure they are compliant with the actual contract. If there are any overcharges, we will enforce the city ordinance which will require the towing companies to refund the vehicle owner three times the amount of the over charge. We are adding SOP 1, R, 1 which states that the towing detail officer will keep a record of each overcharge occurrence in the towing companies file. We are also currently looking into computer software that will ensure that the correct fees are being charged to customers. The software will automatically bill the customer based on the contract and take away the ability for towing companies to add or delete any additional charges. The customers, towing companies, and the City of Miami would be able to see the bill online from any electronic device with internet access. This system would almost eliminate any overcharges to the customer. The software is called TOPS Towing Operations Software and it is currently being evaluated.

- **Implementation Date:** 08-24-2015

FINDING 3: CONTROLS OVER TOWING ACTIVITY REPORTING FOR BILLING PURPOSES WERE INADEQUATE

The City Code requires both contracted and non-contracted towing companies to report private property towing activity to the MPD within 30 minutes of completing a tow. In addition, the Code requires companies to keep daily logs or “trip records” that document all tows conducted within the City (including police-dispatched and private property tows). Towing activity reported to the MPD and included in these records should include: the address/location of a vehicle’s removal; the time (in hours and minutes) when the vehicle was removed; storage site location; salient vehicle information (e.g., color, make, model, license plate number); and, the name of the property owner who instructed the removal.

As described on page 2, towing activity information reported to the MPD CIS desk operators is entered into CAD and arranged into individual reports specific to each company. The reports are then forwarded to the companies for review and reconciliation; and, upon making revisions to their respective reports, the companies return them to the MPD BU where respective towing activity data is summarized and forwarded to the AR Section for towing administrative fee invoicing and billing. **It should be noted that since the City fully relies on towing companies for the performance of monthly reconciliations of towing activity recorded by the City to towing company records, unreported tows or tows improperly reported as not being conducted will not be detected. Consequently, there is no assurance that the City collects all administrative fees owed by towing companies.**

Observations:

In order to review compliance with the above provisions, we examined towing record reports provided by MPD for one full month for each of four contracted towing companies (Kings Wrecker Service, Ted & Stan’s Towing, Nu-Way Towing and Molina Towing). It should be noted that FY 2014 administrative fee revenue attributable to the selected companies totaled \$80,658, or 28% of \$291,043 in total administrative fee revenues. The tows were conducted between the months of October 2014 through January 2015 and pertain to both private property and police-dispatched tows.

During our review, we found that two companies under-reported private property and police tows to the MPD:

- **King’s Wrecker Service (King’s)** paid \$1,652 in administrative fees to the City for December 2014, however, we determined they owed an additional **\$980** for the month tested for unreported towing activity. We reviewed **137** tow receipts, related tow logs and monthly tow activity reconciliation records for the month and discovered that **55** receipts, or **40%**, had the following exceptions: 42 private property tows were not reported to the City; two tows were erroneously reported as being cancelled by MPD; three private property tows were erroneously reported as being cancelled; and, the company claimed to have “no records” (coded as “NR”) for eight police tows that were conducted and customers were charged.
- **Ted & Stan’s Towing** paid \$2,080 in administrative fees to the City for the month of October 2014, but owed an additional **\$360**. We reviewed **110** Ted & Stan’s tow receipts and monthly tow activity reconciliation records for October 2014 and discovered that **15** receipts, or **14%**, had the following exceptions: **14** instances where the company claimed that there were no records (coded as NR) of the tow, and an additional police tow that was not included in the monthly reconciliation. Upon further review, it was determined that MPD never recorded this tow into its dispatch system. However, all **15** tows were conducted and charged to customers, and were documented/supported by receipts.

As summarized in Schedule 3 below, the two companies owe the City **\$1,340** in additional administrative fees either because towing activity (primarily private property tows) was never reported to the MPD or actual tows were reported to the City as “cancelled” or the company erroneously claimed that there were “No Records” for a particular tow.

SCHEDULE 3									
INADEQUATE TOWING ACTIVITY REPORTING FOR BILLING PURPOSES									
			REASONS FOR NON-PAYMENT		TOWS - Initially Reported and Under-reported				
Tow Comp.	Tow Type	Admin Fee Rate	Not Reported for Payment	Erroneously Reported as Cancelled or "No Record"	Total Under-reported Tows	Tows Initially Reported	Tows that should've been reported	Error Rate	Amount Due City
King's	Private Property	\$16	42	3	45	48	93	48%	\$720
	Police	\$26	0	10	10	34	44	23%	\$260
					55	82	137	40%	\$980
Ted & Stan's	Private Property	\$16	0	3	3	39	42	7%	\$48
	Police	\$26	0	12	12	56	68	18%	\$312
					15	95	110	14%	\$360
Total Admin Fees Due City									\$1,340

Finally, we noted several instances where MPD dispatchers entered data into the dispatching software incompletely, which significantly diminishes the reliability of the data and increases the risk of loss of administrative fee revenues.

It should be noted that we did not find exceptions in our tests of Molina’s records; and Nu-Way had insufficient documentation to adequately test their records.

RECOMMENDATION 3.1: Miami Police Department (MPD)

In order to provide accurate and reliable towing activity data for billing purposes, we recommend that MPD eliminate the practice of allowing tow companies to reconcile towing data. Instead, the review and verification of towing activity should be independently performed in-house by City employees. Accordingly, each tow company should be required to maintain sequentially numbered receipts and tow logs specifically for City of Miami tows. The tow logs, receipts and a written certification from the towing company owner attesting to the accuracy of the information, should be submitted monthly to the MPD for reconciliation with the CAD system data and preparation of monthly billings. Alternatively, we recommend that MPD explore the possibility of procuring state-of-the-art software which will not only facilitate the capture of accurate and reliable towing data, but also expedite and facilitate accurate and timely customer charges and administrative fee billings. This process should be documented and implemented as a departmental procedure.

Also, consideration should be given to implement a system that would enable the public to easily locate vehicles, and determine amounts owed for towing services. In this regard, we were informed by MPD personnel that software is available in which all tow company operators input towed vehicle information including vehicle identification numbers, license plate numbers and the location of vehicles. Once

information is uploaded, customers can search for towed vehicles via a City supplied public search portal. Customers will then use vehicle identification numbers or license plate numbers to obtain information on their vehicles including:

- Location where vehicles are stored
- Amounts owed for the towing services provided. Please note that the system should have the correct rates preprogramed to ensure that tow company operators do not exceed maximum rates allowable by City Code.

To ensure that all tows are reported to police, signs at tow away sites should include a police department phone number and the web address to a centralized database where customers can obtain all information needed to recover his/her towed vehicle.

- **MPD Response:**

MPD concurs with recommendation 3.1, however, allowing the tow companies to continue to reconcile towing data gives us insight as to their methods and charges and the time needed to implement an in-house system so that we can verify that they are in accord with MPD Standards. A review and verification of this data should take place by City employees to determine accuracy and completeness. Maintenance of sequentially numbered receipts and tow logs and submission of certified copies of same to the City on a monthly basis would provide the data necessary to review and verify the monthly reports of the tow companies.

The recommendation that MPD alternatively explore the possibility of procuring “state-of-the-art software” to facilitate the capture of accurate and reliable towing data and expedite and facilitate accurate and timely customer charges and administrative billing of fees is a good one. MPD is in the process of developing the types of reports that would need to be generated to answer these questions/needs; however, we must be mindful of the fact that all data is currently captured or provided by the tow companies, who would then provide it to the City electronically or upload it directly into a database for processing including location and associated costs; and, a feasibility study would have to be conducted to determine the merits of such a plan. The timeliness of the receipt by the City and/or uploading of this information would have a direct bearing on its availability to the general public.

- **Implementation Date:**

MPD is planning to meet with the IT Department in October to discuss the current information flow, the needs of MPD and the public and hopefully elicit some ideas as to how to accomplish our goals. A search for appropriate “state-of-the-art software” can begin upon concurrence with this approach. However, cost, installation and training would dictate the procurement, implementation and testing dates. A fair estimate to research, acquire, implement and test this type of system would require approximately ninety days at the minimum. Starting in October, we would hope to be able to test in February, 2016.

RECOMMENDATION 3.2: Miami Police Department (MPD)

We recommend that MPD CIS desk operators be trained to ensure that tow activity data is accurately and completely entered into the CAD system. Accordingly, activity reported in CAD should be periodically reviewed and approved. In addition, MPD should work with the City’s Information and Technology Department (ITD) in order to install input controls in the CAD software that would prevent support staff and CIS personnel from entering incomplete data, and ensure that proper access controls are established to assign responsibility.

- **MPD Response:**

In review of the audit on towing practices, the following changes have been implemented or are projected to occur:

- Operators assigned to CIS 24 Hour Desk will be retrained on how to properly enter the correct towing code which details and verifies the status and applicable record code (Police, private property, or repossession tows). Specific pertinent information will be entered accurately into the Computer Aided Dispatch System (CAD).
- Tow slips will be retrieved from Property Unit during the midnight shift. This practice serves as a check and balance for CIS 24 Hour Desk to verify tows which should have already been reported by the various tow companies during the day.
- In the event of a midnight operator identifying a tow which was not entered into the system, he/she will immediately enter the tow information. By implementing this procedure it will ensure that both the towing companies and the City of Miami logs are accurate and consistent.
- Currently, both contracted and non-contracted tow companies will not call in private tows when vehicles have been released to the registered owner within a short period of time after vehicle was towed. This is a common practice which tow companies collect monies from vehicle owners, however, the towing companies are not billed by the department's Budget Unit. I will schedule a meeting with the supervisors of the Wrecker Detail and the Property Unit in an effort to ensure that we are collectively working together to address these concerns and adhere to all applicable state laws, city ordinances, and departmental policies/procedures.
- In a meeting with the Commander of the Information and Technology Section, I was advised that in the next six months there will be controls in the new CAD system which will procure a towing management solution to prevent CIS personnel from entering incomplete data and ensure that proper access controls are established to assign availability.

In conclusion, by providing detailed towing data activities to the Budget Unit, we will enable Account Receivables Section (AR) to bill towing companies' accurate administrative fees. I am confident that by implementing these measures we will accurately regulate all authorized towing companies and CIS desk operators to comply with mandated practices.

- **Implementation Date:** March 2016

RECOMMENDATION 3.3: Miami Police Department (MPD)

We recommend that companies failing to comply with towing activity reporting requirements of the City Code be penalized in accordance with the Code, which could include possible suspension or revocation of the license of the business enterprise. In addition, the findings in this report concerning specific tow companies should be considered when awarding the proposed agreement next fiscal year.

- **MPD Response:**

Upon confirmation by the MPD Wrecker Detail of any violations by any wrecker company of any City Code, we will immediately enforce any penalty authorized by the Code. We have contacted the listed companies and have given them 15 days to respond to all noted violations in this report. If the violations

are not addressed or their outstanding balances are not paid, they will face penalties in accordance with the City Code including suspension, revocation, and fines.

- **Implementation Date:** On going.

FINDING 4: CONTROLS OVER NON-RELEASED (“PENDING”) VEHICLES WERE INADEQUATE

As previously described, towing activity information reported to MPD is entered into CAD and arranged into individual reports specific to each company. The reports are then forwarded to the companies for review and reconciliation. During this process, companies must indicate all vehicles that have not been “released” or claimed by their owners. The status of these unclaimed vehicles is deemed to be “pending” or “non-released”.

The City Code stipulates that City “Administrative Charges” may be waived for pending/unclaimed vehicles; however, towing companies must provide written verification of a vehicle’s “pending” status by providing a copy of the “certificate of destruction” or transfer of title. In addition, City charges can be waived only if a company provides evidence that a vehicle’s disposal did not generate revenues; and, all waivers require written approval from the MPD.

Also, Section 713.78, Florida Statutes permits the disposal of unclaimed vehicles after 35 days if the vehicle (or vessel) is more than three years of age or after 50 days if the vehicle is three years of age or less. The 35 or 50 day restriction period for disposal does not include the date of the towing or the date of transfer.

Observations:

Our review of information obtained from the MPD’s Police Administration Division revealed that as of 12/2014, 2,054 vehicles were reported in “pending” status dating back to 2010. Since the City had not conducted effective follow-up on these “pending” vehicles and did not execute written waivers, potential administrative fee revenues totaling **\$51,430** had not been collected (see Schedule 4 Page 13). Upon audit inquiry, two of the nine companies with vehicles in “pending” status paid-off their balances totaling \$7,798 since appropriate written verification of the vehicles’ pending status had not been provided. However, the remaining seven companies continue to owe administrative towing fees totaling **\$43,632** to the City for their “pending” status vehicles.

SCHEDULE 4

PENDING VEHICLES REPORTED AND AMOUNTS OWED					
Towing Company	Date Range of "Pending" Vehicles	Number of "Pending" Vehicles	Calculated Amounts Owed to the City	Amounts Paid to the City Upon Audit Inquiry	Remaining Amounts Owed to the City
Banos Towing	10/2010 through 3/2014	159	\$4,134	\$4,134	\$0
Midtown Towing	10/2010 through 4/2013	145	\$3,664	\$3,664	\$0
Nu-Way Towing	10/2010 through 2/2014	377	\$9,424	\$0	\$9,424
King's Wrecker	10/2010 through 3/2014	452	\$10,472	\$0	\$10,472
Ted & Stan's	10/2010 through 5/2013	44	\$1,134	\$0	\$1,134
Molina Towing	10/2010 through 3/2014	176	\$4,546	\$0	\$4,546
Downtown Towing	10/2010 through 3/2014	239	\$6,174	\$0	\$6,174
Freeway Towing	10/2010 through 8/2013	268	\$6,968	\$0	\$6,968
Southland Towing	10/2010 through 2/2014	194	\$4,914	\$0	\$4,914
Totals		2054	\$51,430	\$7,798	\$43,632

Finally, we noted that the City does not have policies and procedures to guide staff on the proper handling of “pending” status vehicles. In addition, there is no process in place to ensure timely follow up and collection of administrative fees due to the City on vehicles that towing companies declare as “pending” or not claimed by vehicle owner.

RECOMMENDATION 4.1: Miami Police Department (MPD)

The MPD BU and the Wrecker Detail should work with the FD in order to follow up and collect revenues due to the City on “pending” status vehicles.

- **MPD Response:**

We agree with recommendation 4.1 and have initiated efforts to coordinate and share resources with Wrecker Detail and the Finance Department to better collect revenues due to the City. “Pending” status vehicles should be only those vehicles whose owners have been notified of their impounding and the owners have attested to the fact that they are currently, financially unable to redeem the vehicle. The City of Miami, like the State of Florida should determine and enact liquidation guidelines for vehicles that remain unclaimed after a specified period of time. The City of Miami Municipal Code, Chapter 42, Sections 108,109, and 110, contain specific rules governing: License revocation and regulations, Penalties, and

Maximum allowable rates for non-consensual towing and storage for providing tow services at the request of property owners or police agencies. The enforcement of these rules and their attendant fines would discourage the towing companies from submitting revenues due to the City in an untimely manner. In addition, the forthcoming Purchasing Agreement for licensed tow companies should be specific regarding rules and procedures for reporting and payments to the City. Recommendations for such rules should be forwarded to and discussed with the Purchasing Department for incorporation into the agreement.

- **Implementation Date:**

Implementation has started with our consultations with the Wrecker Detail and Purchasing and Finance Departments. This will be an on-going effort with periodic meetings to review, discuss and solve problems as they arise.

RECOMMENDATION 4.2: Miami Police Department (MPD)

As mentioned previously, we recommend that MPD eliminate the practice of allowing towing companies to reconcile towing data for billing purposes. Also, periodic inspections of pending vehicles should be conducted by designated BU staff concentrating on vehicles that have remained in pending status for more than 50 days without executed waivers; additionally, the MPD should establish policies and procedures to ensure that administrative fees are not waived unless the conditions are clearly met and supported by appropriate documentation.

- **MPD Response:**

As we responded for recommendation 3.1, eliminating the reconciliation by the towing companies without having an in-house system in place would be counterproductive. We rely on their information to give us insight into their operation. We are making plans as you can see in our responses to develop the capabilities needed to function independently of the towing companies, but it will continue to be necessary for them to provide information to us to appropriately manage this process and monitor their activities.

Guidelines and time frames for addressing the waiver process and expediting vehicle status updates will be reviewed with the Wrecker Detail to determine the best policies for resolving this issue.

- **Implementation Date:**

We have contacted the Wrecker Detail regarding solutions to these questions and are scheduling meeting to address outstanding issues. Meeting will begin in October and continue as an ongoing review of “pending” status and other issues as they arise.

FINDING 5: COLLECTION PROCEDURES FOR OUTSTANDING ACCOUNTS RECEIVABLE BALANCES WERE INADEQUATE

In order to ensure collection of the City’s “Administrative Charge” on private property towing activity, the Code requires the City to send towing companies monthly invoices which are due and payable upon receipt. Failure to remit payment of the charge within 15 days after receiving the invoice shall result in an additional charge of \$525. Continuous failure to pay the charges after 30 days of receipt of the invoice may result in the suspension of a towing company’s business license.

According to the Agreement, monies are due from contracted tow companies by the 20th of each month. If payment is not received by the 20th, the contracted towing company is liable for a late fee penalty of 10%

of the outstanding balance, as well as interest of 1% for every month late; however, it should be noted that the eight towing companies under contract are current in their payments to the City.

Observations:

We noted that the Finance Department (FD) does not have written policies and procedures that ensures the proper handling of late or non-payments by tow companies. As a result, FD accounts receivable (AR) personnel do not assess late payment penalties nor do they request the Wrecker Detail to suspend tow companies that are in violation of the Code. As indicated in Schedule 5 below, our review disclosed that six active tow companies that had outstanding balances totaling **\$16,032** that were 22 to 933 days past due. It should be noted that 82%, or \$31,144 of total outstanding balances (\$38,178) for 29 active and inactive tow companies were greater than 90 days past due.

SCHEDULE 5						
ACCOUNTS RECEIVABLES AGING - AS OF 3/11/2015						
	Towing Company	15 - 30 Days	30 - 60 Days	60 - 90 Days	Over 90 Days	Total Amount Due
1	Alpine Towing	\$1,824	\$1,040	\$1,200	-	\$4,064
2	Chirino Towing	\$48	\$32	\$16	-	\$96
3	Corporate Towing	\$224	\$224	\$176	\$7,712	\$8,336
4	Goodfellas Towing & Recovery	-	\$32	-	\$2,896	\$2,928
5	Jr Towing & Recovery	\$64	\$64	\$160	\$16	\$304
6	VMC Towing & Recovery	\$48	\$144	\$80	\$32	\$304
	Total Outstanding Receivables	\$2,208	\$1,536	\$1,632	\$10,656	\$16,032

We noted that the six tow companies continue to operate while in violation of the Code. Accordingly, the companies should have been penalized after 15 days and suspended from operating after 30 days of non-payment. Continuous failure to enforce penalties increases the risk of receivables becoming uncollectable/worthless.

After our inquiry, review of recent payments received from three tow companies revealed that the companies were able to pay significantly past due balances without being assessed any penalties as follows:

- Torres Towing paid eleven outstanding invoices totaling \$8,944 (9 invoices were paid online and 2 via check) that were between 36 and 392 days past due.
- Corporate Towing paid two outstanding invoices totaling \$400 (both invoices were paid via check) that were between 50 and 89 days past due.
- Alpine Towing paid an outstanding invoice in the amount of \$960 (invoice was paid online) that was 106 days past due.

It should be noted that the FD does not have policies and procedures to guide staff on the proper and effective handling of instances where tow companies fail to make timely payments on balances due. Further, the City’s online payment system does not automatically add penalties to tow company accounts that are greater than 15 days past due, which allows tow companies to pay old balances at any time without penalties.

RECOMMENDATION 5.1: Finance Department

We recommend that the FD:

- Establish policies and procedures based on the City Code, to guide AR/collection staff on the handling of past due accounts. This should include communicating the status to the Wrecker Detail for the suspension of towing companies with outstanding balances greater than 30 days past due.
- Work with the ITD to implement controls to ensure that penalties are automatically calculated on towing company accounts that are greater than 15 days past due.
- Conduct a review of substantially aged receivables and determine whether a write-off is necessary.

- **FD Response:**

The FD will establish policies and procedures based on the City code. The FD provides MPD reports and has trained individuals to run reports showing outstanding balances. The FD also provides MPD a recommendation regarding write-offs for their approval when the aged receivables are reviewed. The FD will work with ITD to automate the appropriate penalties.

- **Implementation Date:** No later than the second quarter of FY 2016.

FINDING 6: ESTABLISH POLICIES AND PROCEDURES TO ENSURE THAT TOWING COMPANIES RENEW BUSINESS TAX RECEIPTS ANNUALLY

City Code requires towing companies located within the geographic boundaries of the City to apply for and obtain a valid occupational license or a “Business Tax Receipt” (BTR). A BTR is valid for one year, expires on September 30th each year, and must be renewed annually.

In addition, the Code requires private property towing companies to pass a MPD safety inspection as part of the BTR application approval process. This includes an inspection of company towing equipment and verification that the facility in which towed vehicles are stored is located within ten aerial miles from respective tow sites.

Observations:

Our audit testing revealed that companies conducting private property tows in the City are operating without meeting the requirements of the Code, which requires the companies to obtain MPD inspection approval of their applications prior to the issuance of a BTR. Our testing revealed the following:

- Seven of ten, or 70%, of towing companies tested, had not met the MPD inspection/approval requirement and continue to operate while a “hold” is placed on their BTR. Although each of the seven companies paid the annual BTR fee, the lack of a safety inspection increases the risk of equipment being operated under dangerous conditions and/or cars being towed to unapproved locations.

- MPD does not have written policies and procedures to ensure proper handling of towing companies that do not comply with the Code.

RECOMMENDATION 6.1: Miami Police Department (MPD)

We recommend that towing companies that had not met the MPD inspection/approval requirement yet continue to operate while a “hold” is placed on their BTRs, be notified of their non-compliance with the City Code, and given a deadline for compliance. Appropriate action should be taken for non-adherence to the deadline. Going forward, we recommend that the MPD Budget Unit (BU) establish written policies and procedures to ensure proper handling of towing companies that do not comply with the City Code.

- **MPD Response:**

MPD Wrecker Detail Standard Operating Procedure (SOP 1, II, D, 5.) states that after all the inspections are done and the wrecker company owner or representative receives a signed copy of the application, it is to be returned to the City of Miami Licensing Department to receive their license. We are adding (SOP 1, II, D, 5, a.) which states that the wrecker detail officer will pick up a copy of each approved wrecker companies business license (BTR) from the City of Miami Licensing Office by October 15th of every fiscal year to ensure that wrecker companies have turned in their required inspection forms and there is no hold on their business license (BTR). The copies will be kept in each wrecker company’s file. We are also adding (SOP 1, II, D, 5, b.) which states that the wrecker detail officer will verify each tow company’s business license (BTR). If any wrecker company does not have the proper license or their license is on hold status, they will be immediately suspended from towing operations in the City of Miami and the wrecker detail officer will notify the Communications Bridge and the CIS desk of the suspension.

- **Implementation Date:** 9/1/2015