TO: The Honorable Chairman and Members of the Board of County Commissioners

FROM: Ken Burke
Clerk of the Circuit Court
Ex Officio County Auditor

SUBJECT: Follow-Up Review to Audit of Parking Revenue

DATE: November 19, 2009

For your review and filing in the Official Records, I am enclosing a copy of the follow-up review dated November 19, 2009 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the best possible service to our citizens.

cc: Robert S. LaSala, County Administrator  
Jim Bennett, County Attorney  
Mark S. Woodard, Assistant County Administrator  
Paul S. Sacco, Director, Real Estate Management Department  
Paul A. Cozzle, Director, Culture, Education and Leisure  
Claretha N. Harris, Chief Deputy Director, Finance Division  
Ernst & Young
FOLLOW – UP REVIEW TO
AUDIT OF
PARKING REVENUE

Audit Services
Division of Inspector General

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

Hector Collazo, Jr., CFE, CFS, CISA, CIG
Director, Audit Services
Inspector General/Chief Audit Executive
Division of Inspector General

Audit Team
Ken Green – Senior Internal Auditor

NOVEMBER 19, 2009
REPORT NO. 2009-18

*Regulated by the State of Florida
November 19, 2009

The Honorable Chairman and Members
of the Board of County Commissioners

We have conducted a follow-up review of our audit of Parking Revenue. The objectives of our review were to determine the implementation status of our previous recommendations.

Of the seven recommendations contained in the audit report, we determined that three have been implemented, three have been partially implemented, and one was not implemented. The status of each recommendation is presented in this follow-up review.

We appreciate the cooperation shown by the staff of the Real Estate Management and Culture, Education and Leisure Departments during the course of this review.

Respectfully Submitted,

Hector Collazo, Jr., Director
Audit Services, Division of Inspector General

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

*Regulated by the State of Florida
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INTRODUCTION

Scope and Methodology

We conducted a follow-up review of our audit of Parking Revenue. The purpose of our follow-up review was to determine the status of previous recommendations for improvement.

The purpose of the original audit was to:

- Determine the effectiveness of shared operations for the County.
- Determine if Contracts (Inter-local Agreements) and Site Inspections are adequate to support the current site operations.
- Evaluate the adequacy of the Cities support oversight operations. Determine if existing functions (equipment, enforcement, etc.) are sufficient to meet County and customer needs.
- Assess City and County internal controls over revenue collection process.
- Determine if controls are adequate to ensure accurate and timely County revenue collection.
- Determine if the current structure in which Cities set parking rates is effective for the County and its customers.

To determine the current status of our previous recommendations, we surveyed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the process of implementing the recommendations for improvement.

Our follow-up audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Principles and Standards for Offices of Inspector General, and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our follow-up testing was performed during the month of October 2009. The original audit period was January 1, 2007 through January 31, 2008. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Of the seven recommendations in the report, we determined that three were implemented, three were partially implemented, and one was not implemented. We commend management for implementation of most of our recommendations and we continue to encourage management to fully implement the remaining recommendations.
Background

The County began Parking Revenue Inter-local Agreements with the municipalities in the 1970’s and 1980’s. The Agreements are for County-owned Beach Access Parking Lots that lie within the municipalities. There are seven active Agreements: City of Madeira Beach, City of St. Petersburg, Town of Redington Shores, City of St. Pete Beach, City of Clearwater, City of Indian Rocks Beach and the Town of Indian Shores. The basis of the Agreements places parking enforcement and collection responsibilities on the municipalities. The County (Parks and Real Estate Management) is responsible for the upkeep and maintenance of the properties, to include landscaping, curbing and surfacing. Revenues are to be split between the parties, 60% municipalities and 40% County. The Madeira Beach Agreement is different; in addition to parking enforcement and collection, the City is responsible for property upkeep and maintenance. Revenues from the Madeira Beach site are split 50/50.

The Agreements allow the County to outsource certain responsibilities to the municipalities, such as parking enforcement and collections. In return for those services, the municipalities get a portion of the parking revenues. The arrangement worked, in large part, because the County did not have parking enforcement and collection structures; the municipalities have these infrastructures in place. Today, the Parks Department has Park Rangers with the capability to perform parking enforcement functions. The County also has a small collections’ team for the three Boat Ramp properties throughout the County. However, the County’s current structures, as is, are not adequate to take on the additional functions.

The revenue for the parking lots is generated by the parking meter and other parking fees collected by the municipalities. The County does not share in the parking ticket revenue generated by parking enforcement. The expense is for the maintenance of the park property at the beach sites. The maintenance expenses for St. Petersburg and the Clearwater Court House parking lots are incurred by the County’s Facility Management.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Parks’ Maintenance/Upkeep of Property Costs</th>
<th>County (General Fund) Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearwater</td>
<td>$414,830</td>
<td>$80,401</td>
</tr>
<tr>
<td>Indian Rocks</td>
<td>18,484</td>
<td>8,946</td>
</tr>
<tr>
<td>Indian Shores</td>
<td>18,262</td>
<td>5,264</td>
</tr>
<tr>
<td>Madeira Beach</td>
<td>0</td>
<td>8,211</td>
</tr>
<tr>
<td>Redington Shores</td>
<td>30,759</td>
<td>10,432</td>
</tr>
<tr>
<td>St. Pete Beach</td>
<td>36,330</td>
<td>20,963</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>N/A</td>
<td>3,376</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$518,665</strong></td>
<td><strong>$137,593</strong></td>
</tr>
</tbody>
</table>
STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by management on the Recommendations for Improvement in our original audit of Parking Revenue. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

1. Contracts With The Municipalities Do Not Require Adequate Documentation To Be Submitted With Their Payment To Support The Remittance Amount.

We had found that the supporting documentation submitted with the municipalities’ remittances did not contain adequate information to verify the accuracy of the amount received. However, the payments provided the required documentation as stated in the Contract terms. Our review covered three municipalities: St. Petersburg, Clearwater and the City of Indian Rocks. One City was only sending a check, which documented the period of the payment; there was no further support. One City remitted a document, which stated revenues collected for the period, and one City’s remittance noted the payment period and payment amount calculations, but the information was not correct.

Another concern was the inability to determine whether sales tax was withheld by the municipality prior to remittance. For one City, we had been able to determine payment was remitted less applicable sales tax. For the other two Cities (St. Petersburg and Clearwater), we did not have sufficient information to determine the status of sales tax. We reviewed the following contracts for sales tax requirement.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Sales Tax Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearwater</td>
<td>None</td>
</tr>
<tr>
<td>Indian Rocks</td>
<td>Yes - Remit less applicable sales tax</td>
</tr>
<tr>
<td>Indian Shores</td>
<td>Yes - Remit less applicable sales tax</td>
</tr>
<tr>
<td>Madeira Beach</td>
<td>None</td>
</tr>
<tr>
<td>Redington Shores</td>
<td>Yes - Remit less applicable sales tax</td>
</tr>
<tr>
<td>St. Pete Beach</td>
<td>None</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>None</td>
</tr>
</tbody>
</table>
Only three of the seven Contracts required the municipalities to remit less applicable sales tax, and therefore, assume responsibility for sales tax payments. If it is not withheld by the municipality, it is the County's responsibility to pay it. This was also a concern brought up by Real Estate Management.

In addition, the Contract with the municipalities does not cover remittance support documentation. Management does not have an effective oversight control or process for payments made by the Cities to the County for the parking function. Currently, the County relies on the municipalities to remit correctly.

The County may or may not be receiving their full and proper share of parking revenues; therefore, possible errors and/or oversights made by the municipalities can go undetected.

**We recommend** Real Estate Management (REM) meet with each municipality and determine what documentation is available to support the remittance process. A cost beneficial documentation solution should be decided through an effective collaboration process between the County and the municipalities. REM should find out how the four municipalities not required to remit less applicable sales tax are accounting for sales tax and document the findings. When there are Contract renewals or negotiations, REM should consider consistent sales tax requirements from all municipalities. We also recommend that Management have the County Attorney's Office review all contracts for consistency and address the sales tax liability issue for the County.

**Status:**

Partially Implemented. REM has worked with each municipality to improve the documentation submitted to support the parking revenue remitted to the County. As new agreements are negotiated with these municipalities, REM states that they intend to work toward improving the consistency of the documentation submitted. Also, all municipalities are now in agreement that the parking revenue is subject to sales tax, and they are reporting in this manner on their remittances.

### 2. Internal Controls Over The Remittance Process Are Weak And Do Not Ensure Timely Payments.

Prior to our audit of Parking Revenues, Real Estate Management discovered that the County had not received payments from the City of St. Petersburg for at least two years. The amount due was subsequently determined to be $22,287. This prompted Real Estate Management to take over collections for the City of St. Petersburg Contract. The City of Clearwater would still remit to the Finance Department and all others would send payments to the Parks Department.

The St. Petersburg incident motivated the departments to review the collections' process. Real Estate Management and Parks Department met and agreed that Real Estate
Management would take over the collections’ process for all Parking Contracts. In December 2007, Parks Department sent letters to all of the municipalities requesting all future payments be sent to Real Estate Management. As of February 20, 2008, Real Estate Management received all payments for the first quarter of Fiscal Year 2008. Of those seven payments, six were received directly by Real Estate Management while one was received by Parks and then forwarded to Real Estate Management.

We reviewed three Contracts for the remittance process. We found that two municipalities remitted in accordance with Contract terms; one did not. Our testing showed that one City was not remitting on time. One City (St. Petersburg) had not forwarded payment in over two years. We found that another City (Clearwater) remitted a large payment in December 2007 for past due payments dating back to 1997.

As a result of the subsequent centralizing of the revenue collection process in the Real Estate Management Department, internal control over these collections has been improved. Real Estate Management is in the process of establishing formal internal controls for strong, effective oversight of the collection process.

Adequate internal controls and proper oversight for revenue collection should be in place to ensure collections are complete and timely. The oversight process should be cost beneficial for the County to administer and feasible for municipalities’ compliance. Our discussions with Parks, Real Estate and Finance Departments' Management revealed weak oversight of the process. Prior to the audit, responsibilities were unclear and divided among three departments.

Unless strong internal controls are in place, the County may not be collecting full and proper revenues due, and possible delayed or overlooked payments by the municipalities can go undetected.

We recommend REM continue to establish a cost beneficial assurance process for the oversight of revenue collections. The process should ensure the County is receiving their revenue shares timely and in accordance with Contract terms.

Status:

Implemented. REM has taken over the responsibility of collecting all parking revenue and they provide reports of the collections to the Culture, Education and Leisure Department.

3. Annual Site Inspections Performed By Real Estate Management At The Parking Lot Sites Is Not An Effective Control That Benefits The County And Should Be Eliminated.

Our review of Real Estate Management Annual Site Inspections of the Parking Lot Sites noted that the procedure is not required by the agreements, or a needed internal control for the
agreement process; therefore, the performance is not cost justified. We also found inconsistencies in the current inspection process performed. There are no written, established role(s) or objective(s) for the Annual Site Inspections. There are no formal written procedures or a checklist tailored to the Parking Lots, and therefore, there are no objectives/standards for the Site Inspections to meet. In addition, Parks Department and Facilities Management personnel are on the properties at least daily and are better suited to address health and safety issues. The areas that Real Estate Management plans to cover in their draft checklist is also covered by the on site Parks Department and Facilities Management personnel, and therefore, will be a duplicate effort.

Oversight performed by the County for the agreements should be required by the agreement and/or act as a cost justified internal control for the process. Based on our review of the Contracts, Site Inspections are not required for Contract Compliance. Generally, Real Estate Management’s objective is to perform Annual Site Inspections on County sites to address health and safety issues.

Annual Site Inspections conducted by Real Estate Management, based on our analysis, is not cost justified and address health and safety concerns that are better addressed by the on site Parks Department staff. The cost to put in place an adequate Annual Site Inspection Process will not be offset by the internal control acting as a risk avoidance/prevention function.

We recommend REM cease Annual Site Inspections for those properties in which the Parks Department and Facilities Management staff are on site daily and/or make scheduled visits.

Status:

Implemented. REM no longer performs annual site inspections where the Parks or Facilities Management Department staffs are on site. Management states that Parks’ staff visit and inspect the parking lot sites on a no less than weekly basis.

4. Some Parking Revenue Processes Need To Be Addressed To Improve The Overall Operations.

Our review of the Parking Revenue processes and discussions with Real Estate and Parks Management noted the following specific areas in the process that need improvement:

A. The County has not received revenue from Madeira Beach. Madeira Beach is reporting losses by deducting related expenses. In addition, the Contract structure and requirements is different than the other Parking agreements. Management expressed concerns that Madeira Beach was deducting expenses that were not permissible. After reviewing the Contract terms, we could not make a substantiated determination about the claimed expenses because the Contract does not clearly define allowable expenses. It is essential that contracts clearly define allowable expenses. The vagueness of the Contract leaves room for interpretation by Madeira Beach. In addition, the documentation
received with the remittance did not provide adequate information for an evaluation of expenses being applied against the revenue collected.

B. The Parking Revenue Contracts do not set minimum standards for the parking meter equipment to meet customer service needs. Most customer service issues are over machines affected by user-forced damage, complaints regarding amount of money credited, first-time user problems, etc. From our discussions with Parks Department management, the County does not handle equipment-related customer service issues. If a complaint is received, County staff will refer the complainant to the municipality.

Standardization of equipment in regards to payment methods is a desirable goal. The County customers may not be provided adequate payment options. For example, not all parking lots accept credit cards and some change machines only accept $1 and $5 bills. To best serve the customer, every parking lot should accept credit cards and/or be equipped to provide change for all users. We found that standardized equipment requirements would benefit County customers and improve customer service and convenience. However, there are no minimum equipment standards or requirements currently stated in the Contracts.

C. Parking rates are inconsistent. The contracts state that the Cities are to set the parking fees. We reviewed the reasonableness of fees. Parking rates throughout the County vary from approximately $.17/hour to $1.25/hour. The variance seems to be affected by the parking rates within the same area as our parking lot. However, by the terms of the Contracts, the rate is not a County responsibility.

Real Estate Management stated, based on their information, the primary concern of citizens and customers are parking availability rather than rates. While Real Estate Management has made an effort to deal with parking availability problems as they arise (i.e., changing Clearwater building access rates), there is no County Plan for a fee analysis of the Beach Access Lots or County building access lots. If the County determines that the rate structure is an issue, the factors should be discussed with the municipalities at contract renewal time. Example rates are as follows:

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Rate Given</th>
<th>Discount Rate Given</th>
<th>Hourly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  City of Madeira Beach</td>
<td>$.25/15 min</td>
<td>None</td>
<td>$ 1.00</td>
</tr>
<tr>
<td>2  St. Petersburg Meter</td>
<td>$.25/30 min (small lot-13 spaces)</td>
<td>$.25/hr</td>
<td>$.50 or $.25 dependant upon which lot</td>
</tr>
<tr>
<td>Lots and Judicial (big lot-39 spaces)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3  Town of Redington</td>
<td>$1.00/hr</td>
<td>None</td>
<td>$ 1.00</td>
</tr>
<tr>
<td>Shores</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4  City of St. Pete Beach</td>
<td>$1.25/hr</td>
<td>$10/12 hrs</td>
<td>$ 1.25</td>
</tr>
<tr>
<td>Municipality</td>
<td>Rate Given</td>
<td>Discount Rate Given</td>
<td>Hourly Rate</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>------------------------------------------------</td>
<td>---------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>City of Clearwater (Sand Key Park</td>
<td>$1/hr M-F $1.25/hr Sat-Sun &amp; Everyday Mar-April</td>
<td>None</td>
<td>$1.00 - $1.25</td>
</tr>
<tr>
<td>Only</td>
<td></td>
<td></td>
<td>varies</td>
</tr>
<tr>
<td>City of Clearwater All Other</td>
<td>$.50/3 hours</td>
<td>None</td>
<td>$ 0.17</td>
</tr>
<tr>
<td>Meters</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Indian Rocks</td>
<td>$1.25/hr</td>
<td>None</td>
<td>$ 1.25</td>
</tr>
<tr>
<td>Town of Indian Shores</td>
<td>$.50/hr</td>
<td>None</td>
<td>$ 0.50</td>
</tr>
</tbody>
</table>

D. The County should consider performing a cost-benefit analysis to determine the feasibility of assuming all responsibility for the parking lots and eliminate the contracts with the Cities.

We estimate the following additional revenues the County would receive (municipalities’ 60%) by doing away with the Contracts:

<table>
<thead>
<tr>
<th>County Additional 60% By Taking Sole Responsibility</th>
<th>Estimated Additional Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipality</td>
<td></td>
</tr>
<tr>
<td>Clearwater</td>
<td>$ 120,602.01</td>
</tr>
<tr>
<td>Indian Rocks</td>
<td>13,418.57</td>
</tr>
<tr>
<td>Indian Shores</td>
<td>7,895.51</td>
</tr>
<tr>
<td>Madeira Beach</td>
<td>12,316.77</td>
</tr>
<tr>
<td>Redington Shores</td>
<td>15,648.09</td>
</tr>
<tr>
<td>St. Pete Beach</td>
<td>31,444.97</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>5,063.88</td>
</tr>
<tr>
<td>6-Month Revenue Potential</td>
<td>$ 206,390.00</td>
</tr>
<tr>
<td>Annual Revenue Potential</td>
<td>$ 412,780.00</td>
</tr>
</tbody>
</table>

Other items considered:

Parking Ticket Revenue: If Park Rangers issued parking tickets, the County would receive revenues. If other sources of enforcement were used, the County may or may not receive proceeds. The current contracts do not have the County participating in the parking lot enforcement fees revenue collected by the Cities. We could not obtain ticket revenue amounts because the municipalities do not record by location.

Enforcement could be provided by Park Rangers. However, some additional staffing may be required.
A collection process would need to be established. Currently, the County has a collection structure for Boat Ramp Lots. This structure would likely have to be expanded to include Beach, Building and Park Access Lots. Although Parks Department may have the staff to perform collections at the sites, they do not have the administrative structure to support the collection functions. There would be administrative costs incurred to process collections, develop and implement controls, armored transportation service (Loomis), etc.

The cost of purchasing the meters from the municipalities would be a factor. The County would have to buy the meters from the municipalities. The cost would be the municipalities’ paid portion of the total cost of the meters; 50% for Madeira Beach meters and 60% for the other municipalities (less any depreciation).

While the County would incur additional costs by assuming sole responsibility of the parking lot functions, the County could possibly benefit financially. The extent of those costs needs to be projected by Parks Department management. A complete and effective cost analysis would allow the County to determine if the $412,780 in additional annual revenues would outweigh the additional costs.

**We recommend:**

A. REM meet with the City of Madeira Beach Management and reach an agreement on allowable expenses subject to deductions. The Contract should be amended accordingly.

B. Parks Department management and/or REM add minimum equipment requirements when next renewing/negotiating Contracts. Prior to setting standards through the contract, cost estimates by site should be developed for the meter upgrades, if required. The cost is shared by both parties.

C. Management review parking rates to determine whether more consistency should be achieved. Contracts should be amended accordingly.

D. Parks Department management perform a cost analysis of expenses the County would incur to assure all enforcement and collection duties. They should consider the administrative cost, staff expansion and other related costs.

**Management Response:**

A. We concur with your recommendation that Real Estate Management meet with the City of Madeira Beach Management to reach an agreement on allowable expenses subject to deductions and amend the contract accordingly.

B. We concur with your recommendation regarding minimum equipment standards and the Parks and Recreation Department will take the lead on this issue. Staff will review standards involving bill acceptors, change acceptors, and debit/credit card acceptors for beach access parking machines. Preliminary work has already been completed as part of
the boat ramp parking program and a final recommendation will be drafted by October 15, 2008.

C. We partially concur with the recommendation. A review of parking rates is done each year as part of the budget process. One hindrance to the ability to seek consistency in parking rates is the variation in contracts, responsibilities of both parties in the management and maintenance of the beach access parking areas, and the sharing of beach access parking revenues. However, staff believes that resolution of Recommendation #1 will allow for increased consistency of rates through the contract renewal process.

D. We concur with the recommendation and have already performed a preliminary investigation of the benefits and costs associated with assuming all beach access parking related management, maintenance and enforcement. This option was floated to administrative staff as part of the 2009 budget preparation process but was not pursued due to the significant personnel reductions associated with the 2009 budget package and the relatively small amount of time available to complete a thorough analysis. Staff intends to prepare a more complete report in February 2009 as part of the 2009/2010 budget submission.

Status:

A. An acceptable alternative was Implemented. The Parks and Recreation Department has taken over the management of the Madeira Beach site from the City of Madeira Beach.

B. Partially Implemented. A new vendor for parking machines has been contracted through the County’s purchasing process, and the Town of Indian Shores has already used this contract to acquire replacement equipment. Management stated that staff will review municipality contract language regarding minimum equipment requirements when renewing/negotiating contracts. Language will be developed so that machines will allow currency, all coin denominations, and credit/debit cards.

C. Not Implemented. Management stated that due to the supply and demand of parking, as well as seasonal variations in pricing used by some municipalities, they believe that the parking rates should be determined by each municipality.

D. Partially Implemented. This recommendation was reviewed and analyzed during the Fiscal Year 2010 budget development process through the Revenue Generating Team process. Management stated that County Administration decided not to pursue the department’s taking over the enforcement and collection duties for Fiscal Year 2010. Management also stated that this recommendation will be revisited for Fiscal Year 2011.