



Smart decisions. Lasting value.™

---

# CITY OF CORAL GABLES, FLORIDA

## Internal Audit of Towing Services

---

October 2018

**Distribution:**  
Mayor and City  
Commissioners

# TABLE OF CONTENTS

---

---

	<i>Page</i>
<b>EXECUTIVE SUMMARY</b>	
Overview.....	1
Summary of Results .....	1
<b>INTRODUCTION</b>	
Background .....	2
Scope .....	2
Risk Management.....	3
<b>PROCEDURES PERFORMED .....</b>	<b>4</b>
<b>FINDINGS/OPPORTUNITIES FOR IMPROVEMENT .....</b>	<b>5</b>

# EXECUTIVE SUMMARY

---

## Overview

Crowe LLP (“Crowe” or “we”) performed internal audit procedures in August 2018 related to The City of Coral Gables’ Towing Services. The objectives of the audit were to review the current towing service contract and verify that the towing service provider is in compliance with all contract regulations.

## Summary of Results

The following is a summary of our observations as a result of our procedures. We listed the opportunity for improvement and corresponding risk rating. Supplemental information can be found on page 5 of this report.

Process	Observation #	Audit Finding	Risk Rating**
Monthly Report/ Document retention	1	Lack of review process	Moderate
Monthly Report	2	Payment not submitted as per contract guidelines	High
Monthly Report	3	Contractor payment errors	High
Document requests	4	Unresponsive contractor	High

\*\*For explanation of *Risk Rating* determination, refer to page 3.

# INTRODUCTION

---

## ***Background***

The City of Coral Gables entered into an agreement with Downtown Towing Inc. for towing services. The contractor is to provide all classes of towing service, within the City limits of Coral Gables, or outside the city limits, if requested. All billings and record retention are to be provided by the third party contractor. The City will require a monthly report along with an administrative fee for every tow initiated by the City of Coral Gables.

## ***Scope***

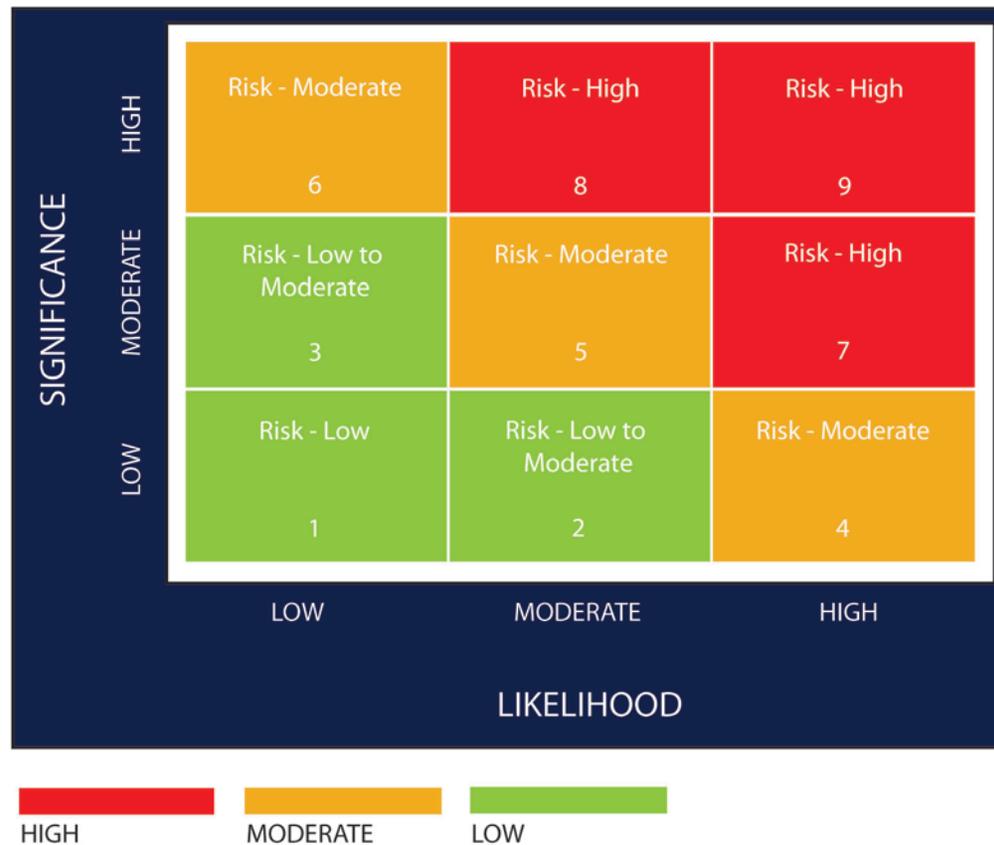
The scope of this audit included the following:

- Review of the controls over Towing Services, with concentration on the following:
  - Monthly Reporting Package compliance
  - Appropriate Towing fees
  - Administrative fee compliance
- Examination of revenues remitted to the City for the past 2 years.

# RISK MANAGEMENT

## *Risk Management*

Risks are evaluated based on its “significance” to management’s strategy and its “likelihood” to occur. This will result in a risk profile of the highest risks to the organization as presented below:



## PROCEDURES PERFORMED

PROCEDURES PERFORMED	RESULTS
<p>1) Crowe obtained and read the contract associated with Request for Proposal (RFP) 2013.02.22 Towing Services.</p>	
<p>2) Obtain listing of each vehicle towed for the periods from October 1, 2016 through September 30, 2017 and October 1, 2017 through September 30, 2018.</p> <p>3) Select sample of tows completed during the periods above for detail testing.</p> <p>4) Request documentation for individual tows to verify appropriate record retention and compliance with contract provisions.</p>	<p>The contractor provided October 2016, November 2016, December 2016 and January 2017 but has not provided the listing of all tows for the period selected.</p> <p><b>See opportunity for improvement #4.</b></p>
<p>5) Crowe requested monthly reporting packages as required by the contract Section 2.3. These were examined for compliance requirements.</p> <p>Note: Crowe was not provided with the monthly reports from the contractor and therefore, requested the reports from the City.</p>	<p>Crowe was not provided with the reports as requested from the contractor in a timely manner in order to complete all testing.</p> <p><b>See opportunity for improvement #4.</b></p> <p>We noted three out of the seven requested monthly reports could not be found in the City's records.</p> <p><b>See opportunity for improvement #1.</b></p> <p>We noted that administrative fees were not paid in accordance with the contract requirements.</p> <p><b>See opportunity for improvement #2.</b></p> <p>Crowe noted discrepancies on the amount owed to the city as calculated by the contractor.</p> <p><b>See opportunity for improvement #3.</b></p>

# FINDINGS/OPPORTUNITIES FOR IMPROVEMENT

---

## 1. **OPPORTUNITY FOR IMPROVEMENT 1 – Lack of review process:** **MODERATE RISK**

We noted during our testing over the required monthly reports that there is no level of review performed by the City. Out of the seven months selected for testing, the City was not able to provide monthly reports for January and April 2017 and a monthly report for March 2018 had not been received from the contractor.

**Recommendation:** We recommend a formal review process be implemented to determine that the monthly reports are received from the contractor on a timely basis and that these reports are retained in order to provide an audit trail.

**Management Response / Action Plan:** Effective September 2017 a formal review process was put in place within the Police Department for Administrative staff to manage the contracted services. Since that date, staff has made repeated efforts to obtain the missing reports but have been unsuccessful. However, assuming the reports are received in a timely manner, the process is as follows.

On a monthly basis (20<sup>th</sup> of each month), when the report is received, it is reviewed to make sure it contains at a minimum the required information as outlined in Section 2.3/Reporting of the contract. Delinquent notices are issued two (2) days after the due date for the report and revenue. If necessary, a 2<sup>nd</sup> notice is issued two (2) weeks later. The information outlined in the report is then matched with the revenue provided for that specific month.

The contractor is required to provide a computerized report on a monthly basis with payment of the fees to the City. The report should contain:

- (1) Numbered invoices for each vehicle towed with the following: Date, time call received, CGPD case number, year, and make, model of vehicle, VIN, contractor invoice number, location of incident, destination, itemized line items and when the vehicle was released.
- (2) Copies of all CGPD vehicle storage receipts.
- (3) Log of tows
- (4) Impound/Notification log
- (5) Itemized list of all junk vehicles

The reports and the documents generated to accept and deposit the revenue is maintained in the towing contract file for auditing purposes for a minimum of three (3) years. An electronic file is also maintained for easy access.

**Action Plan:** An actionable escalation plan will be developed for handling delinquent reports/revenue to the City and apply the 1.5% penalty as outlined in Section 3.4/Payments to City in the contract. The penalties should be restructured to apply to when the report is not provided as outline in the contract as well.

## FINDINGS/OPPORTUNITIES FOR IMPROVEMENT

---

### 2. **OPPORTUNITY FOR IMPROVEMENT 2 – Payment not submitted as per contract guidelines:** **HIGH RISK**

We noted during our testing over the required monthly reports that administrative fees were not being paid in accordance with the contract requirements. The contract states that all administrative fees shall be paid by the 20<sup>th</sup> of the following month. From the four provided monthly reports tested, we noted that all of our selections failed this criteria. All of the checks received were dated from two to eleven days after the required submittal date. Additionally, in cases of late payments there was no evidence of calculation to determine the amount of late fee as required by the contract. The contract indicates that a 1.5% fee would be accrued every month the balance has not been paid. The amount of lost revenue associated with the interest on late payment amounted to \$42.76.

Further, we noted that the contractor had not submitted the required monthly reporting packages and had not submitted payments for the months of January 2018 and March through September 2018.

**Recommendation:** We recommend that as part of the formal review process mentioned in opportunity for improvement 1 above, that a review over the remittance of payment be performed in order to identify late payments and calculate the necessary interest that would need to be applied to the contractor's balance.

**Management Response / Action Plan:** As outlined in our response to Opportunity #1, immediately upon verification from the City that the monthly report and revenue has not been received timely, a memorandum outlining late fees will be generated, approved and sent to Finance in order for an invoice bill to be generated and sent to the company for payment of late fees (separate from the regularly monthly administrative fees).

### 3. **OPPORTUNITY FOR IMPROVEMENT 3 – Contractor payment errors:** **HIGH RISK**

During our testing of monthly reports, we noted arithmetic errors and discrepancies in the amount owed in administrative fees. From the seven months selected for testing:

- a. One monthly report provided support that agreed to the payment received.
- b. Three monthly reports provided support that indicated a total overpayment of \$55.
- c. Three monthly reports were not provided and we were unable to determine if the amount paid is accurate.

**Recommendation:** We recommend that as part of the formal review process mentioned in opportunity for improvement 1 above, the City review the amount paid to the actual amount of cars towed. In case of discrepancies in the monthly report submitted by the contractor, the City should follow up with the contractor on the differences from expected to actual revenues.

## FINDINGS/OPPORTUNITIES FOR IMPROVEMENT

---

**Management Response / Action Plan:** The severity of the payment errors, as noted by the auditor, is not conducive to delaying the processing of the reports and revenue once received. Prior to accepting and depositing the funds, the vendor is always notified with no resulting effect or response.

Action Plan: Previously, no formalized procedure existed to address these discrepancies. Moving forward when the report is processed and discrepancies exist, the vendor will immediately be contacted for verification of the report and revenue received. The vendor will be given one (1) week after the notice to correct the report and payment (issue a new payment) if necessary or confirm the accuracy of the payment. If the vendor fails to acknowledge the request, the City will proceed with accepting the funds as an accurate account of the revenue due.

Reconciliation of the full account/contract will be made annually to review the contractor's performance during the reporting period. The review will be conducted to determine if the services were not only paid in accordance with the terms of the contract but that the services were provided as outline and that the City is satisfied and willing to continue the services.

Additionally, the City should request that a specific Account Representative be assigned to the contract to handle any issues that arise including payments.

#### 4. **OPPORTUNITY FOR IMPROVEMENT 4 – Unresponsive contractor:** **HIGH RISK**

We were not provided documentation for our request for monthly reports and a complete listing of all vehicles towed for the City during the period under audit as requested from the contractor in a timely manner in order to complete detail testing and recalculations of administrative fees due to the City.

**Recommendation:** We recommend that the City request all missing documentation and consider reviewing the detail support and reports in order to determine if additional amounts are due to the City in compliance with the terms and conditions of the contract.

**Management Response / Action Plan:** The City will remain diligent in attempting to obtain all missing reports and payments. If necessary, legal action will be considered. The information and payments requested are a requirement of the contract and obligations of the contractor.

Action Plan: Steps will be initiated to evaluate whether or not the awarded contractor should be considered responsible and be relieved of their duties to perform towing services for the City.

Per the contract requirements listed in 2.3/Reporting section of the contract, the contractor is responsible for maintaining a comprehensive file that contains a list of all vehicles on the premises, copies of all itemized bills, copies of vehicle storage receipts of each vehicle, copies of notices sent to vehicle owners, name, address and telephone number of the individual to who each vehicle was released, proof of mailing as required by law along with records of payment by customers. This information must be kept current and on file for a minimum of three (3) years.