



Audit of
Valet Parking Services at
Fort Lauderdale-Hollywood
International Airport

Office of the County Auditor

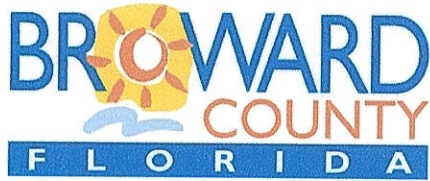
Audit Report

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Report No. 19-01
November 1, 2018



OFFICE OF THE COUNTY AUDITOR

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November 1, 2018

Honorable Mayor and Board of County Commissioners:

We conducted an audit of valet parking services at the Fort Lauderdale-Hollywood International Airport.

The objectives of our review were to determine whether all valet parking revenues have been received by the County and accounted for properly, to determine whether the parking contractor, SP Plus Corporation, Inc. (SP Plus), has complied with the contract and to determine any opportunities for improvement.

We conclude that valet parking revenues have been received by the County and have been accounted for properly. We conclude that SP Plus does not consistently comply with the contract, and the Broward County Aviation Department (BCAD) does not provide adequate management oversight and contract administration over valet parking operations to ensure optimal profitability, cost effectiveness and contract compliance. Opportunities for improvement are included in the report.

We appreciate the cooperation and assistance provided by BCAD and SP Plus staff throughout our review process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Andrew Meyers, County Attorney
Mark Gale, Director of Aviation

Broward County Board of County Commissioners

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EXECUTIVE SUMMARY

We conducted a review of the contracted valet parking services at Fort Lauderdale-Hollywood International (FLL) Airport. The contract requires SP Plus Corporation, Inc. (SP Plus) to provide management services for all parking operations at FLL Airport on a continuous basis including weekends and holidays. SP Plus is responsible for properly collecting and remitting all gross parking revenues to Broward County (County). The County paid approximately \$4.9 and \$4.6 million to SP Plus for valet parking services for FY 2016 and FY 2017, respectively.

We conclude that the valet parking revenues have been received by the County and have been accounted for properly. We conclude that SP Plus does not consistently comply with the contract, and Broward County Aviation Department (BCAD) does not provide adequate management oversight and contract administration over valet parking operations to ensure optimal profitability, cost effectiveness and contract compliance.

BCAD has not provided adequate oversight of SP Plus staffing and has not required SP Plus to submit monthly and annual staffing plans for review by BCAD as required by the contract. During our review, we requested monthly and annual staffing plans for valet parking services for FY 2016 and FY 2017; however, no annual staffing plans and only one monthly staffing plan for September 2017 was provided for the 24-month period requested. Without a valid staffing plan established by SP Plus and reviewed and approved by BCAD staff, excess or inadequate staffing levels cannot be identified or adjusted timely.

SP Plus may be overstaffing valet parking services during some portions of the day. Since all payroll costs are passed on to BCAD, SP Plus has little incentive to schedule staff in the most efficient manner. The average number of cars per valet parking employee per hour was 0.88 for September 2017; therefore, it is imperative that BCAD aggressively monitor staffing levels. This is significantly lower than the estimated potential number of cars per employee per hour of 6.00 at slow times and 3.24 at peak times per BCAD's Airport Valet Financial Survey. Staffing levels were not adequately adjusted to align with the actual demand during the periods of 12am-3am and 8pm-11pm when valet parking transactions were significantly decreased. During September 2017, an average of 13 valet parking employees were scheduled each hour during midnight to 3am when there were zero car transactions.

We reviewed the overtime paid to SP Plus for FY 2016 and FY 2017, and found that SP Plus was paid overtime in each of the 24 months reviewed, totaling \$344,000 or 4% of wages and salaries.

There was no documentation to substantiate that overtime payments were justified and properly approved. This is particularly notable given the lack of staffing plans and evaluation of staffing levels.

The valet parking rate of \$25 per day is lower than other airports surveyed. We surveyed four international airports including Miami International Airport, Tampa International Airport, Dallas Fort Worth International Airport and Denver International Airport. All four airports surveyed have valet parking services, and two of the four airports have curbside valet parking. However, the FLL valet parking rate of \$25 per day is lower than all other four airports surveyed, whose valet parking rates range from \$30 to \$33 per day.

Our review noted a lack of effective contract administration and management oversight of valet parking operations in the areas of invoice review, living wage review, budget review and approval processes. BCAD staff did not adequately review monthly invoices prior to payments. During our review, we noted that, SP Plus overbilled the County for unallowable expenses for software of \$28,620, and BCAD approved this payment. We also noted there was a lack of supporting documentation and written approval of SP Plus budgets for FY 2016 and FY 2017.

We reviewed SP Plus' request of additional workers' compensation insurance reimbursement due to curbside valet parking services at FLL Airport, and issued an advisory memo to BCAD on June 14, 2018. Based on our advisory memo, we believe BCAD should amend the contract to reimburse SP Plus a reasonable amount for the additional workers' compensation expenses, and a contract amendment should have been made at the time of the change to curbside valet parking. During the negotiation of the 3rd amendment to the contract in 2017, SP Plus requested \$400,000 in workers' compensation reimbursement, which represented 5.4% of their additional payroll for terminal curbside valet parking services since August 1, 2015. However, we determined that \$219,000 is a reasonable amount for SP Plus' additional workers' compensation from August 2015 to April 2018. The County Attorney's Office agrees with the reasonableness of this approach.

Our report contains a total of 23 recommendations for improvement. We appreciate the cooperation and assistance provided by BCAD and SP Plus staff throughout our review process.

INTRODUCTION

Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted a review of the contracted valet parking services at Fort Lauderdale-Hollywood International (FLL) Airport. Our objectives were:

1. To determine whether all valet parking revenues have been received by Broward County (County) and accounted for properly.
2. To determine whether the parking contractor, SP Plus Corporation, Inc. (SP Plus), has complied with the contract.
3. To determine any opportunities for improvement.

To determine whether all revenues have been received by the County and accounted for properly, we reviewed the SP Plus' Parking Management Contract (Parking Contract) and the Broward County Internal Control Handbook (ICH). We tested a sample of valet parking transactions, reports, invoices and bank statements. We analyzed valet parking ticket reports and financial information, and we interviewed Broward County Aviation Department (BCAD) and SP Plus staff.

To determine whether the parking contractor has complied with the contract, we reviewed the Parking Contract, Broward County Administrative Code, Broward County Living Wage Code, NAPM Enterprises Inc. (NAPM) Car Care Services Contract, and annual budget documents. We tested a sample of invoices, time cards, payroll registers, background checks, driver license records, living wage records, and quarterly incentive payment and evaluation records. We consulted with County Attorney's Office on Living Wage requirements for tipped employees and workers' compensation. We analyzed valet parking productivity and daily shift reports, and trends and fluctuations in revenues and expenses. We conducted and reviewed surveys on valet parking services and observed FLL Airport valet parking operations.

Our review included such tests of records and other review procedures as we considered necessary in the circumstances. The review period was October 1, 2015 through December 31, 2017; however, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that valet parking revenues have been received by the County and have been accounted for properly. We conclude that SP Plus does not consistently comply with the contract, and BCAD does not provide adequate management oversight and contract administration over valet parking operations to ensure optimal profitability, cost effectiveness and contract compliance. Opportunities for Improvement are included in the report.

Background

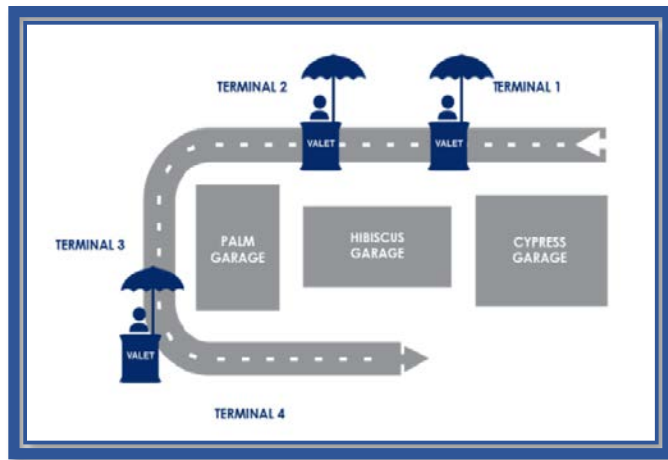
On November 12, 2013, the County entered into a five-year management contract with SP Plus for the period of December 15, 2013, through December 14, 2018. The contract requires SP Plus to provide management services for all parking operations at FLL Airport on a continuous basis including weekends and holidays. SP Plus is responsible for properly collecting and remitting all gross parking revenues to the County. Other SP Plus' responsibilities include general maintenance, monitoring and custodial services for the parking area, submission of routine financial and operational reports, written monthly and annual staffing plans, and preparation of annual budgets. Our audit focuses on valet parking services.

Contract Amendment History

On December 8, 2015, the Board of County Commissioners (Board) approved the First Amendment to the Parking Contract, which removed the Airport Economy Parking Lot from the scope of services. On October 26, 2017, the Director of Purchasing approved the Second Amendment allowing SP Plus to be compensated for valet parking tips and gratuities paid to the County by passengers using credit or debit cards. On February 27, 2018, the Board approved the Third Amendment increasing the contract budget threshold by \$16 million for additional expenses incurred by SP Plus for increased staffing levels to provide curbside valet parking service and maintenance work for parking facilities.

Valet Parking Operations

FLL Airport offers valet parking services 24 hours a day, 7 days a week. The original valet parking was established as garage valet services when the Board approved the Parking Contract in November 2013. In October 2015, FLL changed from garage valet parking services to curbside services, where customers can drop-off and pick-up their cars curbside at the terminals when they depart or arrive at the airport. The curbside valet is located at the western end of Terminal 1, the eastern end of Terminal 2 and the western end of Terminal 4. The Hibiscus garage (1st floor) and the Cypress garage (6th floor) at FLL Airport provide a combined total of 1,538 spaces for valet parking services.



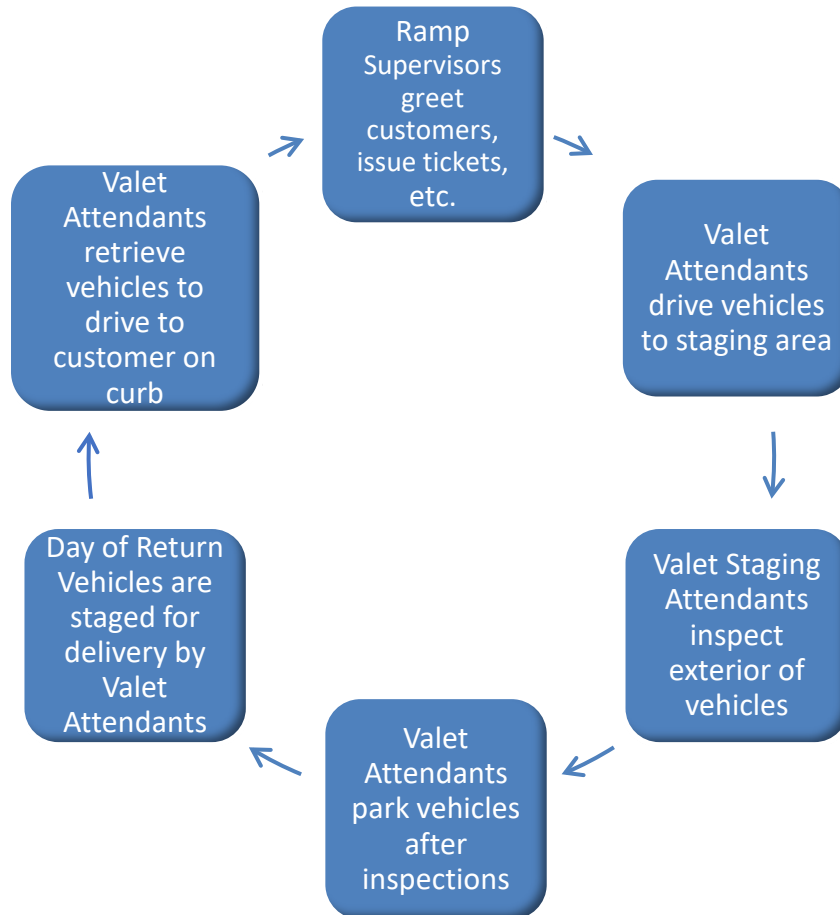
When a customer arrives to drop-off their vehicle, a ramp supervisor greets the customer, inspects the vehicle, gets a return time from the customer and issues a ticket. If desired, the

customer can request car care services, which were available up to December 2017. The valet attendant drives the vehicle to the staging area where the vehicle is inspected, photographed and parked. Prior to the customer's return, the car is staged for delivery based on the customer's return information. When the customer arrives, the valet attendant retrieves the vehicle and drives to the customer at the curbside of the terminal. The customer makes the payment with the cashier for valet and car care services, if applicable. The valet parking fee is a flat rate of \$25 per 24-hour period. If the customers pay for the services by credit card, payments are deposited into the County's bank account. All cash payments are deposited by SP Plus into the County's bank account within



24 hours. Exhibit 1 on the next page shows a flowchart of curbside valet parking services.

Exhibit 1
Flowchart of Curbside Valet Parking Services



Source: SP Plus Curbside Valet Parking Operational Plan Revised July 6, 2017

The valet parking operation utilizes an automated Airport Valet Parking and Revenue Control system (AVPM) that tracks, monitors, controls, stores and manages all valet parking information. AVPM allows tracking of the tickets, keys, and the movement of vehicles in and out of the valet parking facilities. The software maintains the total counts of valet transactions, maintains pick-up and drops-off data, and generates revenue and statistical reports.

In addition to the valet service, car care services were available until December 2017 when those services were terminated. Car care services were provided by a third-party vendor contracted by SP Plus. Services included car wash and car detailing for valet customers. Charges for these services were added to the valet customers' tickets and billed as a service transaction through the AVPM system. BCAD retained 15% of this revenue plus an adjustment for water usage recorded on a separate water meter. SP Plus received 5% and the car wash contractor received the remaining 80% of the collected revenue. All monies received from the valet and car care

services are collected and deposited into the County’s bank account and the County remits the sales tax on all collections.

Valet Parking Revenue

Revenues generated from valet parking totaled \$7.1 million and \$7.6 million for fiscal years (FY) 2016 and 2017, respectively.

Valet Parking Expenditures

The County pays SP Plus a monthly management fee plus reimbursable expenses, and quarterly incentive fees, if applicable. The monthly management fee is for the management and operation of the FLL Airport’s public parking facilities, with a portion of the fee allocated to the management of valet parking. Reimbursable expenses mainly include salaries and wages, payroll taxes and benefits, garage supplies, and repairs and maintenance. Additionally, SP Plus can earn a quarterly incentive fee in recognition of outstanding performance for self and valet parking services up to 1% of net revenue, not-to-exceed \$100,000 per quarter (\$400,000 annually). As shown in Exhibit 2, the County paid approximately \$4.9 and \$4.6 million to SP Plus for valet parking services for FY 2016 and FY 2017, respectively.

Exhibit 2

Payments to SP Plus for Valet Parking Services for FY 2016 and FY 2017

Valet Parking Payments	FY 2016	FY 2017
Reimbursable Expenses	\$ 4,682,780	\$ 4,344,146
Management Fees	228,858	232,203
Total Payments	\$ 4,911,638	\$ 4,576,349

Source: Prepared by the Office of the County Auditor with information obtained from BCAD’s Statement of Revenue and Expense for FY 2016 & FY 2017.

The County paid approximately \$370,000 and \$376,000 to SP Plus for incentive fees including both self and valet parking services for FY 2016 and FY 2017, respectively.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. BCAD Should Provide Adequate Oversight of Staffing and Require SP Plus to Submit Written Monthly and Annual Staffing Plans as Required by the Parking Contract.

BCAD has not provided adequate oversight of SP Plus staffing and has not required SP Plus to submit monthly and annual staffing plans for review by BCAD as required by the contract. During our review, we requested monthly and annual staffing plans for valet parking services for FY 2016 and FY 2017. However, there were no annual staffing plans and only one monthly staffing plan for September 2017 was provided for the 24-month period requested. Our review of the September staffing plan revealed that it was not complete and did not contain a basis to support the planned staffing levels. Further, BCAD confirmed that they have not reviewed and approved monthly staffing plans by the 15th of each month as required by the contract.

Sections 6.6.1 and 6.6.2 of the Parking Contract specifically require SP Plus to develop and submit written staffing plans to BCAD for approval, both monthly and annually, outlining the base number of employees that SP Plus will use to operate the Airport Parking Facilities during various hours of the day. The staffing plan is based on generally anticipated normal operations as well as staffing needs for peak holiday travel seasons, and includes the classifications and responsibilities of each employee position. Further, the monthly plan is to be reviewed with BCAD by the 15th of each month prior to the month it covers, to ensure all peak or slow periods and holidays are properly considered.

Staffing plans are intended to forecast the payroll needs for the valet parking operation, and to ensure that adequate valet parking staff are provided to manage cars as they arrive and leave the airport. Without a valid staffing plan established by SP Plus and reviewed and approved by BCAD staff, excess or inadequate staffing levels cannot be identified or adjusted in a timely basis.

The lack of adequate oversight contributed to the possible overstaffing discussed in Opportunity for Improvement No. 2.

We recommend management:

- A.** Require SP Plus to submit written monthly and annual staffing plans to BCAD as required by the Parking Contract.
- B.** Review and approve monthly staffing plans by the 15th of each month prior to the month it covers to ensure all peak or slow periods and holidays are properly accounted.

Management's Response:

- A.** BCAD agrees that the obligations and requirements outlined under the current contract should be followed. BCAD has begun the process of reviewing and approving monthly and annual staffing plans in accordance with the contract.
- B.** The monthly staffing plans are now approved prior to the 15th of each month for the following month in accordance with the contract. BCAD is also ensuring that staffing plans are commensurate with peak and off-peak periods including holidays while ensuring that service levels are not impacted.

2. Valet Parking Staffing Levels Should be Evaluated and Adjusted based on Actual Service Demand.

SP Plus may be overstaffing valet parking services during some portions of the day. Since all payroll costs are passed on to BCAD, SP Plus has little incentive to schedule staff in the most efficient manner. The average number of cars per valet parking employee per hour was 0.88 for September 2017; therefore, it is imperative that BCAD aggressively monitor staffing levels.

As described previously, there were no monthly or annual staffing plans of valet parking services for FY 2016 and FY 2017 as required by the Parking Contract. To evaluate the reasonableness of staffing levels for valet parking operations, we reviewed the daily Valet Shift Reports (Shift Reports) and AVPM Productivity Reports (Productivity Reports) for the month of September 2017. The Shift Reports provide the number of scheduled hours and staff assigned to the shifts. The Productivity Reports provide the number of car deliveries (pick-ups and drop-offs of valet parking vehicles) by hour for each day. We analyzed both reports to determine the number of cars per valet parking employee for each hour of operation in the month of September 2017.¹

BCAD conducted an Airport Valet Financial Survey (BCAD's Valet Survey), which shows SP Plus' estimated car delivery time of 7 to 13 minutes during the slow times and 14 to 23 minutes at the peak times. As advised by BCAD staff, the peak times for drop-off are from 5am to 7am and from

¹ Airport was partial and fully closed during September 8 through 12 due to Hurricane Irma. Therefore, our analysis of staffing levels for September 2017 does not include these dates.

11am to 2pm, and the peak times for pick-up are from 12pm to 2pm and 6pm to 9pm. Based on BCAD’s Valet Survey, we estimated the potential cars parked per employee per hour was 6.00 cars during slow times and 3.24 cars during peak times as shown in Exhibit 3.

Exhibit 3

Estimated Potential Cars Per Employee Per Hour Based on BCAD’s Valet Survey

Slow/Peak	Estimated Delivery Time per BCAD’s Valet Survey [Minutes]		Estimated <u>AVERAGE</u> Delivery Time [Minutes]	Estimated <u>Potential</u> Cars/Employee/Hour [Ratio]
	[A]	[B]	[C] = Average of [A] & [B]	[D] = 60 Minutes / [C]
Slow Times	7	13	10	6.00
Peak Times	14	23	19	3.24

Source: Prepared by the Office of the County Auditor with information obtained from Airport Valet Financial Survey provided by BCAD

As noted in Exhibit 3 above, the capacity of each employee regarding the number of cars parked per hour is 6 cars during slow times and 3 cars during peak times. A primary reason for being able to park fewer cars per hour during peak times is the level of traffic that is encountered in parking the vehicles. The actual number of vehicles parked per hour is discussed below.

- A. Excess staffing appears to be occurring at all times during the day and night. The average number of cars per valet parking employee per hour was 0.88 for September 2017 as shown in Exhibit 4. This is significantly lower than the estimated potential number of cars per employee per hour of 6.00 at slow times and 3.24 at peak times per BCAD’s Airport Survey.

Exhibit 4

Average Number of Cars Per Valet Parking Employee Per Hour for Each Hour of 24 Hour Operation in September 2017

Each Hour of 24 Hours Operations	Average of Total Employees Per Shift Per Hour	Average of Total Cars Per Hour	Average of Cars Per Employee Per Hour
12:00:00 AM	13	8	0.62
1:00:00 AM	13	4	0.31
2:00:00 AM	13	1	0.08
3:00:00 AM	13	0	0.00
4:00:00 AM	21	5	0.24
5:00:00 AM	21	22	1.05
6:00:00 AM	21	41	1.95
7:00:00 AM	21	28	1.33
8:00:00 AM	31	26	0.84
9:00:00 AM	31	33	1.06
10:00:00 AM	31	28	0.90
11:00:00 AM	31	30	0.97
12:00:00 PM	22	24	1.09
1:00:00 PM	22	24	1.09
2:00:00 PM	22	34	1.55
3:00:00 PM	22	31	1.41
4:00:00 PM	30	31	1.03
5:00:00 PM	30	29	0.97
6:00:00 PM	30	34	1.13
7:00:00 PM	30	28	0.93
8:00:00 PM	30	20	0.67
9:00:00 PM	30	16	0.53
10:00:00 PM	30	24	0.80
11:00:00 PM	30	16	0.53
Average	25	22	0.88

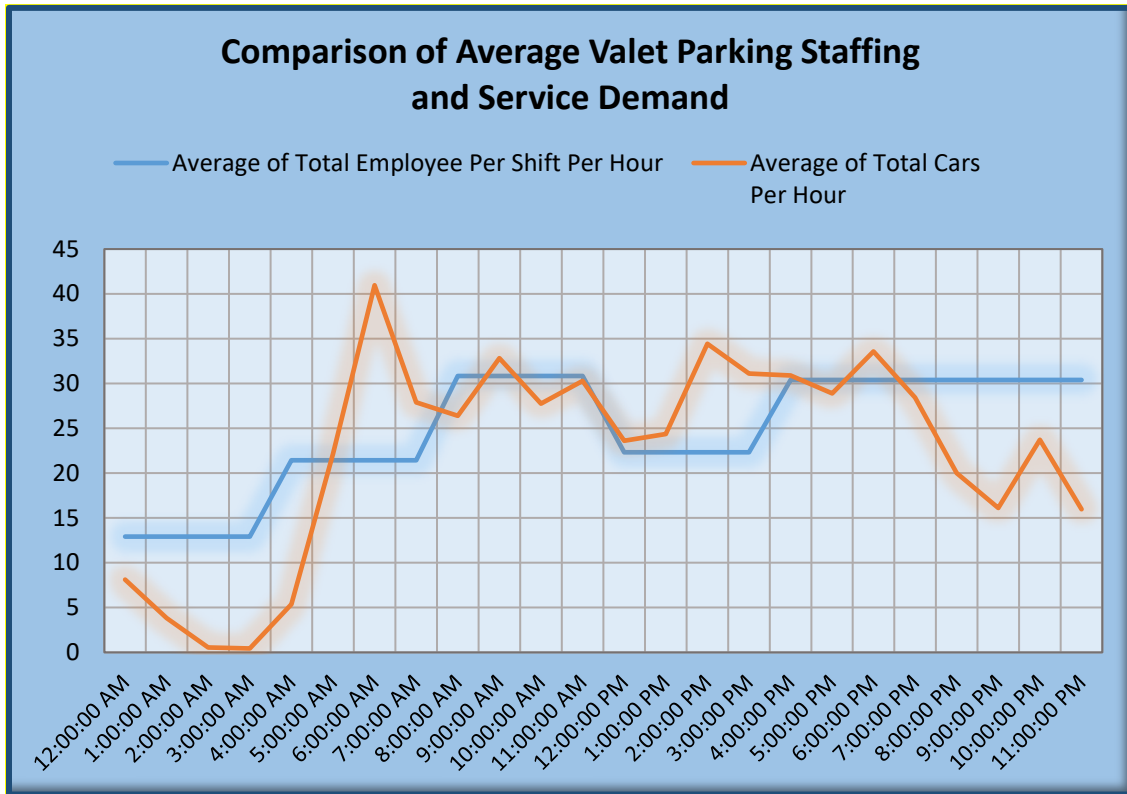
Source: Prepared by the Office of the County Auditor with information obtained from SP Plus' daily Valet Shift Reports and AVPM Productivity Reports for September 2017

As a result of potential excess staffing, excessive costs are being incurred by BCAD. Staffing levels should be monitored by BCAD by time period, along with vehicles parked to ensure cost effectiveness is balanced with customer service.

- B. The staffing level was not adequately adjusted during the period of 12am-3am and 8pm-11pm when valet parking transactions was significantly decreased. Our analysis shows that valet parking transactions were significantly decreased during the hours of 12am-

3am and 8pm-11pm. However, during these time frames, staffing levels were not adequately adjusted to align with the actual demand. Exhibit 5 shows the comparison of average valet parking staffing and service demand for each hour of 24 hours of operations in September 2017.

Exhibit 5
Comparison of Average Valet Parking Staffing and Service Demand
for Each Hour of 24 Hours Operations in September 2017



Source: Prepared by the Office of the County Auditor with information obtained from SP Plus' daily Valet Shift Reports and AVPM Productivity Reports for September 2017

As a result of these practices, excessive costs are being incurred by BCAD, and funds are being needlessly paid to SP Plus. By monitoring staffing levels, excessive staffing can be avoided.

- C. An average of 13 valet parking employees were scheduled each hour during midnight to 3am when there were zero car transactions. Our analysis consistently showed a pattern of zero car transactions from midnight to 3am in September 2017 while there is an average of 13 valet employees per shift per hour scheduled during this time period. Exhibit 6 shows the dates and times with zero car transactions and the number of valet employees scheduled per hour during these timeframes in September 2017.

Exhibit 6
Zero Car Transactions in September 2017 and
Number of Employees Scheduled During These Timeframes

Time/Date	Total Drop-off and Pick-up Cars	Total Employee Per Shift Per Hour
12:00:00 AM		
9/6/2017	0	11
9/30/2017	0	15
1:00:00 AM		
9/13/2017	0	10
9/22/2017	0	15
9/24/2017	0	14
9/27/2017	0	12
9/28/2017	0	11
2:00:00 AM		
9/1/2017	0	16
9/2/2017	0	17
9/3/2017	0	13
9/4/2017	0	13
9/5/2017	0	13
9/13/2017	0	10
9/14/2017	0	13
9/15/2017	0	16
9/16/2017	0	13
9/17/2017	0	9
9/20/2017	0	12
9/21/2017	0	8
9/22/2017	0	15
9/23/2017	0	14
9/24/2017	0	14
9/26/2017	0	14
9/27/2017	0	12
9/28/2017	0	11
9/29/2017	0	14
9/30/2017	0	15

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Time/Date	Total Drop-off and Pick-up Cars	Total Employee Per Shift Per Hour
3:00:00 AM		
9/1/2017	0	16
9/3/2017	0	13
9/4/2017	0	13
9/5/2017	0	13
9/13/2017	0	10
9/16/2017	0	13
9/17/2017	0	9
9/19/2017	0	12
9/20/2017	0	12
9/21/2017	0	8
9/22/2017	0	15
9/24/2017	0	14
9/25/2017	0	12
9/26/2017	0	14
9/27/2017	0	12
9/28/2017	0	11
9/29/2017	0	14
9/30/2017	0	15
Average	0	13

Source: Prepared by the Office of the County Auditor with information obtained from SP Plus' daily Valet Shift Reports and AVPM Productivity Reports for September 2017

As advised by SP Plus, 11 employees including six drivers, were generally maintained from midnight to 2:30am for relocating and inspecting vehicles for the next day's deliveries. However, BCAD staff should review and evaluate the staffing levels for reasonableness and cost effectiveness, and ensure that minimum staffing is maintained during this period.

Valet parking staffing levels should be evaluated and adjusted based on actual service demand to ensure efficient and effective operations. Due to the lack of an evaluation process to determine the efficiency of staffing levels based on peak and non-peak demand, the County may pay more valet parking labor costs than necessary.

We recommend management:

- A. & B.** Evaluate and adjust valet parking staffing levels based on actual service demand to ensure efficient and effective operations.

- C. Ensure minimum staffing levels are maintained during the 12am to 3am period to minimize labor costs, unless justified by an expected increase in service demand.

Management's Response:

- A. & B. BCAD agrees that staffing levels should be closely monitored to maximize efficiency. However, BCAD considers that Exhibits 3-6 in the report are misleading, and disagrees with the audit finding excessive staffing as the report focuses solely on staffing related service level demand on a numerical basis. The curbside valet operation at FLL is a complex operation that must take into consideration a number of factors, including: distances between the curbside drop-off/pick up areas and the vehicle storage areas; maximum dwell times on the curb as a result of Transportation Security Administration (TSA) regulations; the need to rotate vehicles from storage into a ready-return position (reposition of cars in storage); and BCAD's desire to provide a higher level customer service to the valet market. BCAD and SP Plus must also contend with a limited pool of qualified employees that are willing to work a shorter number of part-time hours.
- C. The audit states that minimum staffing should be maintained during overnight hours. BCAD's position is that overnight staffing hours should be maintained at an appropriate level to ensure vehicles requiring relocation for a customer's return (reposition of cars in storage) to avoid or reduce service level interruptions.

Auditor's Comment:

We do not state that staffing focuses solely on demand on a numerical basis. However, it is a basis of consideration, factoring in the other considerations noted in management's response. When there are consistently 11 or more employees on duty from midnight to 3:00 am with zero cars parked, indications are there is a problem with overstaffing. We continue to recommend that staffing levels be monitored based on service demand and other relevant factors.

3. Overtime Paid to SP Plus Should be Properly Justified and Approved Prior to Payments.

We reviewed the overtime paid to SP Plus for FY 2016 and FY 2017, and found that SP Plus was paid overtime in each of the 24 months reviewed totaling \$344,000 or 4% of wages and salaries.

As advised by BCAD staff, the overtime was generally paid to SP Plus during peak holiday travel seasons and for services during special events requested by BCAD. However, there was no documentation to substantiate that overtime payments were justified and properly approved.

This is particularly notable given the lack of staffing plans and evaluation of staffing level based on services demand as addressed in Opportunities for Improvement No. 1 and No.2.

Sections 5.2.3 and 5.2.4 of the Parking Contract require SP Plus to submit a monthly revenue and expense report that includes a statement indicating overtime hours worked and any additional personnel requested by BCAD during the month. Upon receipt and approval of the revenue and expense report by BCAD, the County is to process and pay the invoices.

Without proper justification and approval of overtime, we cannot ascertain the necessity of overtime expenses and the County may have paid for unnecessary overtime hours.

We recommend management:

- A. Properly justify and approve overtime before invoices are paid as required by the contract.
- B. Closely monitor overtime during the monthly staffing plan review process to strengthen controls over overtime.

Management's Response:

- A. BCAD agrees that overtime should be properly justified and documented. BCAD is now requiring the proper documentation and reviewing overtime usage with SP Plus management on a regular basis. BCAD also recognizes that the patrons utilizing valet parking services at FLL expect high levels of customer service, given the higher daily fee. As such, BCAD will continue seeking maximum efficiency against staffing levels without sacrificing customer service.
- B. Through the use of an approved staffing plan each month, BCAD has strengthened its controls regarding the use of overtime.

4. BCAD Should Evaluate Curbside Valet Parking Operations and Seek Opportunities for Optimal Profitability and Cost Effectiveness.

The cost-benefit of the curbside valet parking program should be formally evaluated. During our audit, we noted the following:

- A. The cost per car transaction for valet parking services increased by 84% from FY 2015 to FY 2016 since the operational change from the garage to the curbside program. We performed a cost per car transaction analysis for FYs 2015, 2016 and 2017 to determine the trend in the cost of operating valet services from the garage to the curbside. Our analysis shows that the average cost per car transaction increased from \$13.51 for garage

valet parking in FY 2015, to \$24.86 in FY 2016 and \$22.68 in FY 2017 for curbside valet parking, respectively. Conversely, the total number of car transactions (including both pick-up and drop-off transactions) decreased from 206,601 in FY 2015 for garage valet services to 197,534 in FY 2016 and 201,790 in FY 2017 for curbside valet services.

Exhibit 7 shows the changes in valet parking operating costs, car transactions per year and costs per car transaction from the garage to the curbside services for FY 2015 through FY 2017.

Exhibit 7

Changes in Valet Parking Operating Costs, Car Transactions Per Year and Costs Per Car Transaction from Garage to Curbside for FY 2015 through FY 2017

	FY 2015 Garage Valet	FY 2016 Curbside Valet	FY 2017 Curbside Valet
Operating Costs	\$ 2,791,923	\$ 4,911,638	\$ 4,576,349
Operating Costs Increase % (From Garage to Curbside)		76%	64%
Car Transactions Per Year	206,601	197,534	201,790
Costs per Car	\$ 13.51	\$ 24.86	\$ 22.68
Costs per Car Transaction Increase % (From Garage to Curbside)		84%	68%

Source: Prepared by the Office of the County Auditor with information obtained from BCAD's Statement of Revenue and Expense for FY 2015 through FY 2017

- B. Curbside valet parking services appear less profitable compared to garage valet parking services due to the high labor costs. The valet parking operation changed from garage valet services to curbside valet services in FY 2016. From FY 2015 to FY 2016, the valet parking rate increased from \$21 per day to \$25 per day and remained at \$25 for FY 2017.

The profitability of parking services is evaluated by net income, which is affected by gross revenues and operating expenses. To provide a comparison of profitability for curbside valet parking and garage valet parking, we estimated the revenues and expenses if maintaining garage valet parking. As shown in Exhibit 8, maintaining garage valet services would have been approximately \$1.2 million and \$617,000 more profitable than curbside valet parking in FY 2016 and FY 2017, respectively.

Exhibit 8
Comparison of Profitability for Curbside Valet Parking to Garage Valet Parking
for FY 2016 & FY 2017

Profitability (Net Income)	FY 2016		FY 2017	
	Curbside Valet	If Maintaining Garage Valet	Curbside Valet	If Maintaining Garage Valet
Gross Revenue	\$ 7,110,412	\$ 5,972,746	\$ 7,595,786	\$ 6,380,460
Total Operating Expenses	<u>4,911,638</u>	<u>2,568,281</u>	<u>4,576,349</u>	<u>2,743,598</u>
Net Income	\$ 2,198,773	\$ 3,404,465	\$ 3,019,437	\$ 3,636,862
Change in Profitability		\$ 1,205,692		\$617,426

Source: Prepared by the Office of the County Auditor with information obtained from BCAD's Statement of Revenue and Expense for FY 2016 and FY 2017

It should be emphasized that cost consideration must be balanced with customer service benefits. Through a cost-benefit analysis, the optimal level of services can be determined.

- C. FLL valet parking rate of \$25 per day is lower than other airports surveyed. We surveyed four international airports including Miami International Airport, Tampa International Airport, Dallas Fort Worth International Airport and Denver International Airport. All four airports surveyed have valet parking services, and two of the four airports have curbside valet parking. However, the FLL valet parking rate of \$25 per day is lower than all other four airports surveyed, whose valet parking rates range from \$30 to \$33 per day as shown in Exhibit 9 on the next page.

Exhibit 9
Valet Parking Daily Rate for FLL Airport and Four Airports Surveyed

Surveyed Airports	FLL Airport	Miami International Airport	Tampa International Airport	Dallas Fort Worth International Airport	Denver International Airport
Valet Parking Daily Rate	\$25	\$30	\$30	\$31	\$33

Source: Prepared by the Office of the County Auditor with information obtained from Airports Surveyed

The Broward County Administrative Code Section 39.2 (e) requires that curbside valet parking daily maximum rates range from \$21 to \$30. The parking rate impacts the parking operation in the areas of quantity demand, revenues, costs of operations and customer

value. Therefore, the valet parking rate should be appropriately evaluated and implemented to achieve the optimal profitability, customer value and facility utilization.

Fees and costs of the current curbside valet parking operation should be properly evaluated to maximize revenues and minimize costs, while providing the highest level of professional and courteous customer service. A formal cost-benefit analysis would compare the additional costs involved with curbside valet parking to the additional benefits received.

We recommend management formally evaluate the cost-benefit of the curbside valet parking program and:

- A. & B.** Coordinate with SP Plus to determine optimal level of valet parking services.
- C.** Evaluate and implement the appropriate valet parking rate to achieve the optimal profitability, customer value and facility utilization.

Management's Response:

- A. & B.** BCAD agrees that it is prudent to operate a business function in the most efficient and effective manner and applies this rationale to all lines of business at the airport. BCAD is currently reviewing the full valet operation to seek additional efficiencies. BCAD views the valet parking operation as more than just a revenue producing business function, but as an essential customer service function. Operating a valet service at FLL is a complex endeavor which requires resources beyond a typical valet operation and this may not have been given full consideration in the auditor's findings. Because of the driving distance between the four (4) terminals and the garages at FLL, the valet operation requires increased staffing and a logistical plan executed with precision and timeliness in order to provide an excellent customer service experience. A map (see Appendix to Management's Response) showing the valet parking operation routes is attached to this response to outline the driving distance that is covered as part of the valet operation between the terminals and the garages at FLL, along with the three (3) curbside valet pick-up and drop-of areas. It is also important to note that the primary storage area for valet vehicles is on the 5th floor of the Cypress garage, which adds to the distance and time for valet employees to store and deliver vehicles to customers. The use of the 6th floor provides BCAD with ample area to store valet vehicles without compromising other areas of the parking garage structures more heavily sought by self-parkers.
- C.** BCAD is reviewing data pertaining to valet parking rates at other airports and at valet rates in the local market such as hotels and evaluating the valet market carefully. BCAD may adjust the valet rate within the current authorized range, which is currently capped at \$30

per day. However, BCAD is also keenly aware that FLL is marketed as a low cost, easy access airport and must take into consideration pricing levels that are commensurate with our branding.

5. BCAD Should Implement Adequate Management Oversight and Contract Administration over Valet Parking Operations.

Our review noted a lack of effective contract administration and management oversight over the valet parking operations in the areas of invoice review, living wage review, budget review and approval processes. We noted the following concerns:

- A.** BCAD staff did not adequately review monthly invoices prior to payments. We reviewed the SP Plus invoices in our sample period for the months of December 2015, November 2016, and August 2017. We found that SP Plus provided a labor analysis report in the monthly invoices that contains all billable and non-billable labor related expenses. The billable amounts could not be readily verified. Upon our request, SP Plus' corporate office provided additional documentation to us to reconcile and validate the billable amounts. This documentation was never requested by BCAD.

BCAD staff did not request and review such additional documentation, which indicates that BCAD did not verify payroll before payments were made to SP Plus. This is particularly significant given payroll related expenses represent more than 90% of SP Plus' total expenses.

Sound business practices require invoices to be properly reviewed prior to approval for payment. These reviews should be documented so the nature and extent of the review process can be assessed. Inadequate review of monthly invoices could result in overbillings or undetected errors.

- B.** BCAD staff erroneously paid SP Plus \$28,620 in unallowable expenses for AVPM software. During our review, we noted that SP Plus over billed the County for unallowable expenses for AVPM software of \$28,620, and BCAD approved this payment. Upon our inquiry, BCAD confirmed that the expenses associated with AVPM software should not be paid through SP Plus' contract.

Exhibit D of the contract specifies that technology and data processing equipment are non-reimbursable expenses. Payment of these expenses indicates that BCAD staff did not adequately review invoices and failed to identify billing irregularities and non-compliance with the contract.

- C. BCAD staff did not perform Living Wage compliance reviews. We reviewed the hourly rates paid to SP Plus employees to ensure compliance with the Broward County's Living Wage requirements. SP Plus employees' hourly rates include the base wage rate plus tips. Any differences between the Living Wage rate and hourly rate are paid as the "tip differential" to their employees. We reviewed the calculation of tip differential for August 2017 and identified that credit card tips were not included in the calculation, and as a result, the County paid an additional \$400 to SP Plus to meet the Living Wage rate for August 2017. We noted no instances in which SP Plus employees were paid under the required Living Wage rate for our sample review of August 2017. We also found that BCAD did not review the hourly rates paid to SP Plus employees every six months for Living Wage compliance, as required by the Ordinance.
- D. There was a lack of supporting documentation and written approval of SP Plus budgets for FY 2016 and FY 2017. We reviewed the annual budgets submitted by SP Plus for FY 2016 and FY 2017, and found that BCAD could not provide written documentation to support salary and wage estimates in the budgets. Further, we found no evidence of written approval from BCAD for FY 2016 and FY 2017 budgets.

Section 5.3.1 of the Parking Contract requires SP Plus to submit to the County a line item operating budget for the next fiscal year. The budget is required to be approved by BCAD within 30 calendar days of receipt, and all approvals or revisions by BCAD shall be in writing. Section 6.6.2 of the Parking Contract also requires SP Plus to provide an annual staffing plan. Without adequate supporting documentation and written approval of the annual budget, the overstated budget line items could go undetected.

Contract administration and management oversight are essential to ensure project objectives and contract requirements are being met and the County receives services it has paid for. The lack of contract administration and management oversight restricts BCAD's ability to address operational issues timely, properly evaluate services for efficiency and effectiveness, and ensure compliance with contract requirements.

We recommend management:

- A1.** Require SP Plus to provide relevant payroll information to support the amounts billed to the County monthly.
- A2.** Perform adequate contract administration to sufficiently review SP Plus invoices to ensure compliance with the contract requirements prior to payments.
- B.** Pursue reimbursement of the \$28,620 unallowable expenses of AVPM software paid to SP Plus.

C1. Require SP Plus to include all tips in the calculation of the Living Wage rate compliance for employees receiving tips.

C2. Review SP Plus hourly rates paid to their employees every six months for compliance with the Living Wage Ordinance.

D1. Obtain and adequately review the supporting documentation and annual staffing plan from SP Plus during the annual budget review process.

D2. Provide a written approval for SP Plus' annual budget.

Management's Response:

BCAD agrees with the Auditor's recommendations and is taking appropriate corrective action as it pertains to contract administration including invoice reviews, living wage reviews, budget and staffing reviews and approvals on a monthly and annual basis, as applicable. The oversight of the parking operation has been shifted from the airport's Finance Division to the Operations Division under the auspices of the Airport Chief Operating Officer to more closely align with other daily operational functions.

A1. BCAD agrees with the audit findings and has implemented tighter controls over payroll documentation. BCAD now requires monthly payroll documentation from SP Plus and conducts reviews for compliance with pre-approved spending plans, and with Living Wage requirements.

A2. BCAD agrees and has implemented policies requiring staff to strictly adhere to the contract requirements. Monthly documentation from SP Plus is being received, reviewed, and processed according to contractual time requirements.

B. BCAD is seeking credit for overpayments identified in the audit related to software purchases.

C1. BCAD agrees that valet tips paid via credit card shall be included in the calculations of the living wage rate, which began in January of 2018.

C2. BCAD agrees that living wage reviews must be completed every six months, and staff is complying accordingly.

D1. As stated in response 1, BCAD will adequately review supporting documentation of staffing plans during the annual budget process.

D2. BCAD will provide written approval of the annual budget for SP Plus, or any successor vendor for subsequent contract years.

6. The County Should Recover \$21,133 in Overpayment from SP Plus for Sales Tax and Water and Sewer Charges for Car Care Services.

SP Plus billed the County for unallowable sales tax and water and sewer charges for Car Care Services. For the period November 2015 through December 2017 we identified a total overpayment of \$21,133 (including \$18,138 of sales tax and \$2,995 of water and sewer charges) to SP Plus for Car Care Services.

Section 6.20.1 of the Parking Contract states that “if the Operator provides Car Care Services from an on-Airport location, then for all periods of time that services are provided from an on-Airport location, the Privilege Fee shall be an amount equal to fifteen percent (15%) of all Gross Revenues from Car Care Services, after deducting from such Gross Revenues applicable sales taxes and other governmental impositions collected from the patrons of Car Care Services.”

Without properly deducting sales tax and water and sewer charges from Gross Revenues for Car Care Services, the County overpaid such charges to SP Plus.

We recommend management:

- A.** Require SP Plus to immediately reimburse the County for sales tax and water and sewer charges overbilled to the County totaling \$21,133, for November 2015 through December 2017.
- B.** Require SP Plus to review all invoices from the inception of the contract to November 2015 and identify and remit all additional overpayments for sales tax and water and sewer charges, without cost to the County.
- C.** Perform adequate contract administration to ensure future invoices paid to SP Plus are in accordance with contract requirements.

Management’s Response:

- A.** BCAD agrees with the audit finding. BCAD is working with SP Plus on the methodology for the return of the overpayment for taxes paid on water and wastewater charges from the car care service provided.
- B.** BCAD agrees and will require SP Plus to review all invoices since the inception of the contract and submit to BCAD verification that all taxes were eliminated from valet car care service invoices, and require SP Plus to remit any overpayments to BCAD. SP Plus is currently re-calculating 4 years of weekly Car Care invoices for submittal to BCAD for review. Methodology and accuracy of those calculations will be verified to determine final overpayment amount.

- C. As stated in response 5.A1, BCAD will provide adequate contract administration on all parking invoices, including valet operations, in accordance with contract requirements.

7. SP Plus and BCAD Should Fully Comply with Contract Requirements for the Parking Management Incentive Program.

We reviewed seven quarterly incentive payments to SP Plus for FYs 2016 and 2017 for compliance with the contract. Our review found that SP Plus and BCAD did not fully comply with the following contract requirements:

- A. Two of seven quarterly performance presentations were not submitted by SP Plus within 45 days of the end of each quarter, and four quarters did not have documentation supporting a submittal date. We reviewed seven quarterly performance presentations submitted by SP Plus. Our review found that two of seven quarterly performance presentations were submitted 53 and 82 days after the end of each quarter, and four quarters did not have documentation supporting a submittal date.

Exhibit B of the Parking Contract requires SP Plus to submit the quarterly performance report and supporting documentation within 45 calendar days of the end of each quarter. By submitting documentation past the 45-day requirement, any potential issues may not be evaluated and corrected timely.

- B. Customer complaints were not consistently addressed or resolved. We received the valet parking customer complaint logs included in the SP Plus' quarterly performance presentations for FY 2016 Quarter 2, and FY 2017 Quarter 2. In the valet parking customer complaint logs, we found that SP Plus did not document the follow-up actions for 9 out of 55 or 16%, of the customer complaints for FY 2016 Quarter 2, and SP Plus did not document the follow-up actions for 8 out of 38 or 21%, of the customer complaints for FY 2017 Quarter 2.

Section 6.28 of the Parking Contract requires SP Plus to provide a list of verbal or written complaints to BCAD monthly, accompanied by the resolution of such complaints. Questions or complaints regarding the quality of services or rates, whether raised by customers complaints or on BCAD's own initiative or otherwise, may be submitted to SP Plus for response. SP Plus is required to provide responses within seven calendar days following submission. Further, Customer Interaction and Feedback for valet parking services is evaluated as part of the SP Plus' incentive program, which includes scoring for average response time to written comments and voice messages.

Due to lack of responses to customer complaints by SP Plus, valet parking services may be negatively impacted as the goal is to provide the highest level of professional and courteous customer service. Without proper review of customer complaints in SP Plus' quarterly performance evaluations, the County may overpay for the incentive program as related to customer services.

- C. The score criteria for minimum overtime is not defined in the contract and there was inadequate documentation to show how the evaluation committee determined the scores for keeping overtime to a minimum. Of the seven quarterly incentive payments reviewed, five quarters received a full score on the evaluation criteria for keeping overtime to a minimum as part of overtime and staffing level in the quarterly incentive program. However, we found that the minimum amount of overtime is not defined in the contract, and there was inadequate documentation to show how the evaluation committee determined the scores for keeping overtime to a minimum.

This is particularly notable given that SP Plus was paid overtime in each of the 24 months reviewed for FY 2016 and FY 2017, totaling \$344,000 or 4% of wages and salaries, as previously discussed in Opportunity for Improvement No. 3.

Without a clear definition of minimum overtime in the contract and documentation from evaluation committees, the County may have overpaid incentive fees as related to overtime and staffing levels.

- D. The Director of Aviation or appropriate designee did not provide final approval for the seven quarterly incentive program rewards as required by the contract. Seven of the quarterly incentive program rewards reviewed had no final approval by the Director of Aviation or appropriate designee, as required by the contract. As advised by BCAD staff, the Contract Administrator who served on the incentive program evaluation committee provided final approval for the awards. However, the final approval should be performed by upper level management, not part of the incentive evaluation committee to ensure the proper independence and authority.

Exhibit B, Section 5 of the Parking Contract requires that the Director of Aviation shall have final approval of the Incentive Program awards, to ensure that the awards fall within the defined parameters and award allocations set for the program under this contract.

We recommend management:

- A. & B.** Require SP Plus to comply with the contract requirements for Parking Management Incentive Program.

C. & D. Perform adequate contract administration to ensure incentive reports for quarterly incentive fees are submitted timely, and properly reviewed and approved in compliance with the contract requirements.

Management's Response:

A. & B. BCAD agrees and will require SP Plus to provide timely justification for any incentive to be paid for the duration of the current contract and any incentive to be paid will require approval by the airport's Chief Executive Officer. Incentive payments will not be included in a new agreement for parking management services. BCAD believes that any parking vendor should be providing the highest level of customer service in all aspects of the parking operation as part of a base contract management fee.

C. & D. As stated in response 5.A1, BCAD will provide adequate contract administration on future valet parking contractual provisions.

8. BCAD Should Amend the Contract to Reimburse SP Plus a Reasonable Amount for the Additional Workers' Compensation Expenses Due To Curbside Valet Parking Services.

We reviewed SP Plus' request for additional workers' compensation insurance reimbursement due to curbside valet parking services at FLL Airport, and issued an advisory memo to BCAD on June 14, 2018. Based on our advisory memo, we believe BCAD should amend the contract to reimburse SP Plus a reasonable amount for the additional workers' compensation expenses, and a contract amendment should have been done at the time of the change.

Sections 5.5.j, 10.2 and 10.4 of the Parking Contract specifically exclude the cost of workers' compensation insurance from reimbursable expenses. Further, as advised by the County Attorney's Office, the County has no legal obligation to reimburse SP Plus for workers' compensation expenses under the current contract. However, the County changed valet parking from a garage drop-off service to a terminal curbside service operating from three terminals in October 2015. Terminal curbside valet services significantly increased SP Plus' payroll costs due to the additional employees required to accommodate the growing demand for terminal curbside valet services. SP Plus's payroll costs related to valet parking services increased by 170% over the past 33 months.

Workers' compensation insurance is generally paid as a percentage of payroll and, therefore, insurance expense will increase as payroll increases. This is a significant change in contractual expectations. Based on the documentation provided by SP Plus, reimbursement for workers' compensation expenses for increased staffing was requested when the County first started the

discussion on the relocation of curbside valet parking in July 2014, but this was not done. Apparently, SP Plus believed that reimbursement for the additional expenses would be provided at a later date.

During the negotiation for the 3rd amendment to the contract in 2017, SP Plus requested \$400,000 in workers' compensation reimbursement, which represented 5.4% of their additional payroll for terminal curbside valet parking services since August 1, 2015. Through consultation with the County's Risk Management Division, we were advised that the workers' compensation rate for this type of contract service is approximately 3.36% of payroll if it is purchased insurance. SP Plus reported being self-insured, which Risk Management states usually works out to a lower workers' compensation rate than purchased insurance. Based on the information provided by BCAD, we determined that the additional payroll expenses (salaries and wages) for valet parking services totaled approximately \$6.53 million from August 2015 to April 2018. We applied the rate of 3.36% to the \$6.53 million to determine workers' compensation expenses of \$219,000 using this method. Therefore, we conclude that \$219,000 is a reasonable amount for SP Plus' additional workers' compensation from August 2015 to April 2018. The County Attorney's Office agrees with the reasonableness of this approach. Table 10 shows the estimated additional workers' compensation.

Table 10
Estimated Additional Workers' Compensation from August 2015 to April 2018

Time Periods	SP Plus' Add'l Payroll (Actual vs Budget)	Workers' Comp. Rate If Purchased Ins. per Risk Mgmt.	Estimated Add'l Workers' Comp.
August 2015 - April 2018	\$ 6,529,176	3.36%	\$ 219,380

Source: Prepared by the Office of County Auditor with information obtained from Airport Valet Statement of Revenue and Expense provided by BCAD and workers' compensation rate provided by the County's Risk Management Division

Because of the nature of the self-insurance function and the size of SP Plus, we do not consider it practical to solicit and audit documentation of actual additional costs incurred, which would include significant allocations of costs of SP Plus central personnel. Therefore, the use of an industry benchmark for workers' compensation costs provides reasonable assurance that the County is reimbursing an amount in line with the industry.

We recommend management:

- A. Use the workers' compensation rate provided by the Risk Management Division to calculate additional workers compensation payments.

- B. Calculate workers' compensation due to SP Plus for excess actual payroll over the budgeted payroll for valet parking services for the remaining months in the contract.
- C. Reach an agreement with SP Plus on additional workers' compensation and then present a contract amendment to the Board of County Commissioners for approval.

Management's Response:

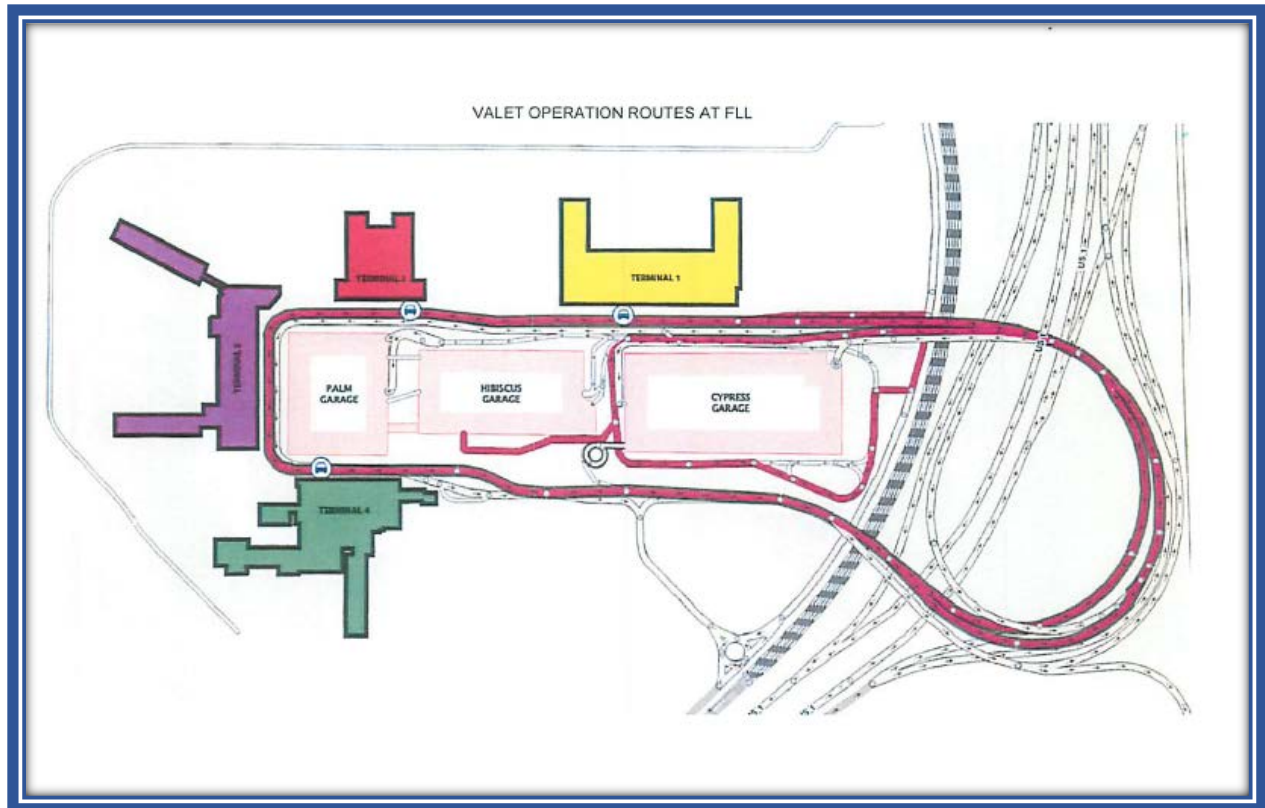
- A. & B. & C. BCAD will submit a contract amendment related to the payment of Worker's Compensation to the Broward County Board of County Commissioners' (Board) for consideration at a future Commission Meeting. BCAD has also reached an agreement with SP Plus for reimbursement of outstanding Worker's Compensation payments in the amount of \$219,000 and will be requesting additional funding from the Board to fund Worker's Compensation for the remainder of the contract.

Management's General Response:

County Administration and the Broward County Aviation Department (BCAD) have reviewed the August 7, 2018, Audit of Valet Parking Services at the Fort Lauderdale-Hollywood International Airport (FLL). BCAD worked cooperatively with the Office of the County Auditor and concurs with the County Auditor's determination that the financial accounting resulting from the valet operation has been executed correctly by BCAD and its current vendor, SP Plus. BCAD also agrees with some of the recommendations provided within the audit report, but has some fundamental differences with the auditor's findings pertaining to valet operational and logistical procedures.

APPENDIX TO MANAGEMENT'S RESPONSE

FLL Airport Map Showing Valet Parking Operation Routes



Source: Provided by BCAD in their management's response