

Office of the
Inspector General
Commonwealth of Massachusetts

Gregory W. Sullivan
Inspector General

City of Springfield Towing
Contract With the Springfield
Towing Alliance

January 2010

This page intentionally left blank.



The Commonwealth of Massachusetts

Office of the Inspector General

GREGORY W. SULLIVAN
INSPECTOR GENERAL

JOHN W. MCCORMACK
STATE OFFICE BUILDING
ONE ASHBURTON PLACE
ROOM 1311
BOSTON, MA 02108
TEL: (617) 727-9140
FAX: (617) 723-2334

January 26, 2010

His Excellency the Governor

The Honorable President of the Senate

The Honorable Speaker of the House of Representatives

The Honorable Chair of the Senate Ways and Means Committee

The Honorable Chair of the House Ways and Means Committee

The Directors of the Legislative Post Audit and Oversight Bureaus

The Secretary of Administration and Finance

The Office of the Inspector General is issuing this report regarding its review of both the towing contract between the City of Springfield (City) and CF, Inc (D/B/A the Springfield Towing Alliance (STA)) and an associated compliance review of the contract conducted by the City Auditor. This Office agreed to conduct this examination based on a request made by the State Auditor in the fall of 2008. Representatives from both the City and the STA were given the opportunity to review and provide comments to a draft of this Office's report. This letter and the enclosed final report incorporate input received after both parties reviewed the draft report on October 7, 2009.

In addressing our review, this Office recognizes and is sensitive to the ongoing civil litigation filed by the City against the STA in Hampden County Superior Court. In addition this Office also understands that MCAD complaints have been filed against the City by two individuals associated with the STA.

This Office in reviewing the towing agreement and the City Auditor's report has determined that the City was within its authority to terminate, without cause, the contract with the STA. However, the biggest problem this Office observed through this review is the apparent inability of the two parties to resolve differences in a timely and cooperative manner. This conflict resolution problem is reinforced in several of the City Auditor's report findings. This Office also observed that major issues relating to storage fees on "police holds" that were identified early in the contract term, were never mutually resolved. The same is true of concerns raised between the parties for the towing of vehicles from the previous contractor's lot. The report issued by the City Auditor, and the City's subsequent demand letter, termination notice, and STA's counter claim billings exemplifies a dysfunctional relationship. In our opinion the parties should have been more cooperative

and proactive in addressing these significant financial, reporting and operational issues, prior to terminating the contract.

The City Auditor's report identified that as of July 31, 2008 a total of \$128,558.75 in towing fees was owed by the STA to the City. This determination was based on applying the maximum contractual towing fees against each and every police ordered tow from May 1, 2007 through July 31, 2008. The City elected to apply the full contractual towing fee rates on all police ordered tows occurring during this fifteen month review timeframe. This was done since the STA had not provided adequate documentation to the City that would enable differentiation of the various categories of vehicles towed. Certain categories of vehicles allow for either the delay in recognizing the towing fee liability to the City (such as vehicles in ending inventory) or provide an exemption from certain fees (such as the remittance fee for those vehicles that are scrapped).

The lack of STA's adequate supporting documentation was reinforced throughout the City Auditor's report and included such concerns as the following failures on the part of the STA: failure to submit complete tow forms to the Police Department; failure to provide complete and timely vehicle status and inventory reports; failure to submit copies of final bills to the Police Department; failure to provide sufficient notice of abandonment and documentation of disposal of salvaged or auctioned vehicles; and, failure to provide the Police Department with remote access to tow data and GPS functionality.

Although this Office recognizes the deficiency with the STA's supporting documentation, we nonetheless attempted to ascertain a reasonable categorization of the vehicles towed. Based on our review and vehicle categorization we determined that as of July 31, 2008 STA had an estimated unpaid balance to the City of approximately \$90,444.75 in towing fees (Administrative and Remittance) versus the \$128,558.75 advocated by the City. This Office further determined that based on the contract payment terms, only approximately \$63,000 of the \$90,444.75 unpaid balance would have been owed to the City as of the July 31, 2008 cut-off date.

The most troubling concern this Office found in reviewing the City Auditor's report was the lack of adequate disclosure regarding the long standing controversy over storage fees for vehicles on police hold. The City Auditor, in arriving at his determination of towing fees owed by the STA wrote as follows: *"In addition, STA has taken unauthorized credits on six different occasions amounting to \$48,063.25 bringing the total amount owed to \$128,558.75."* The City Auditor indicated in his report that the STA began taking these unauthorized credits as early as May 2007 and that in July/August of 2008 the City demanded payment for all previous credits taken without authorization. Aside from incorporating a partial statement from a response received from the STA that suggested that the credits were a way for the STA to balance accounts receivable against accounts payable there was no further commentary regarding the long standing storage fee dispute. It was this storage fee dispute that was the actual catalyst for the credits taken by the STA.

The issue of storage fees on police holds surfaced early in the contract term and went unresolved for the entire contract term. In October 2007 the City in dealing with five related vehicle police hold situations requested that the STA release these vehicles to their owners and indicated that the City would place \$20,000 in escrow until this outstanding

issue could be resolved. However, the issue remained outstanding and unresolved for the entire contract period. A means for accessing or obtaining disbursements from the escrow fund was never implemented. The problems continued and got worse as time passed. The STA unilaterally implemented a policy whereby it took credits against monies owed to the City as a way of obtaining financial relief. Although the City Auditor referenced these "unauthorized" credits in his August 2008 report, the underlying unsettled issues that drove these actions unfortunately were not articulated in his report.

Since a formal agreement regarding storage fees for police hold vehicles was never reached between the parties, this Office did not independently compute any associated financial benefits or obligations between the parties. The issue, however, is of such significant importance that it demands full disclosure. Although we have not computed any financial impacts, it is the opinion of this Office that the STA although not authorized to do so under any of the contract terms with the City exercised reasonable business judgment in attempting to protect their perceived financial interests in a contentious, long running, and unresolved dispute. It now appears as though the courts will need to resolve this issue, and as such this Office will not opine on the issue by ascribing merit to either party's position. We do however acknowledge and articulate the position of the STA in this previously undisclosed issue and we also recognize, but do not necessarily agree with their complimentary belief that the STA, due to these unresolved storage fees, did not owe the City, as of July 31, 2008, the towing fee amounts as determined and reflected in the City Auditor's report.

Our review focused on the towing activities that occurred during the fifteen (15) months that were covered through the City Auditor's report. The tow activities covering the last three months (August 2008 through October 2008) of the contract were not considered in our analysis. The City and the STA need to reconcile the tow activities for the final three months of the contract in order to arrive at a final accounting. The City and the STA also need to identify and agree on the pertinent responsibilities for the associated revenue and liability attributions or payables/receivables between the two parties that would encompass the entire contract term. Beginning with the City's termination of the towing and storage services contract on November 1, 2008 the City assumed primary responsibility for the towing and storage operations including custody and disposition of the vehicles previously towed/stored by the STA but still in ending inventory as of October 31, 2008. After the transition of responsibilities, the City assumed responsibility for not only collecting its own administrative and remittance fees but also for collecting on behalf of the STA (and other lien holders) the applicable towing and storage fees for those vehicles in ending inventory as of October 31, 2008.

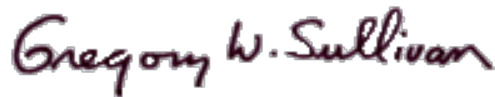
As part of our review, this Office obtained a vehicle status update (dated July 9, 2009) from the City. This update indicated that the City, subsequent to the termination of the contract, had released 25 vehicles that had previously been towed/stored by the STA prior to the July 31, 2008 cutoff. Based on the contractual towing and storage fee rates and the number of days these vehicles had been in storage, this Office calculated that as much as \$168,621.25 in associated revenue could potentially accrue to the STA from the City. This Office also calculated the maximum potential (although highly unlikely) towing charges and storage fees (in excess of \$2.3 million) that could eventually be recognized by the STA once final vehicle disposition were to occur for all the vehicles towed/stored by the STA

prior to July 31, 2008 but still in inventory as of October 31, 2008. This Office believes that the actual recovery from vehicle owners and/or through other disposition methods will be significantly less than the maximum potential revenue using the contractual rates. This Office recognizes and is sensitive to the fact that the final determinations will need to be made by the courts.

Included in the body of our report are recommendations that we believe will help in the resolution of the dispute between the City and the STA and will also help the City as it moves forward with a new contractor to deliver these vital towing and storage services.

Please do not hesitate to contact my Office with any questions or concerns you may have, or if you require additional assistance.

Sincerely,

A handwritten signature in dark ink that reads "Gregory W. Sullivan". The signature is written in a cursive, slightly slanted style.

Gregory W. Sullivan
Inspector General

Cc: The Honorable Martha Coakley, Attorney General
The Honorable A. Joseph DeNucci, Auditor
The Honorable Domenic J. Sarno, Mayor
The Honorable Benjamin Swan, Representative
The Honorable Cheryl A. Coakley-Rivera, Representative
Jose Tosado, City Councilor
William Fitchet, Police Commissioner
Edward M. Pikula, City Solicitor
Mark Ianello, City Auditor
Robert L. Jones, President – CF, Inc.
Mickey Harris, Attorney – CF, Inc

Table of Contents

Overview	1
Focus and Methodology of the OIG Review	5
Contractual Fees and Lease Rates:	6
Number of Police Ordered Tows:.....	7
Characterization of Police Ordered Tows:	10
Financial Claims/Cross Claims:	16
Revenue Cross Claims – Tow Activity 5/1/07 – 7/31/08:.....	24
Storage Yard Rent:	24
Police Holds and Storage Fees:	25
Comparison of OIG Financial Findings to the City’s Claims:	28
Comparison of OIG Financial Findings to the STA’s Claims:.....	29
Comparison of Towing/Storage Contracts:.....	32
Conclusion	35
Recommendations	39

Massachusetts Office of the Inspector General

Address:

Room 1311
John McCormack State Office Building
One Ashburton Place
Boston, MA 02108

Phone:

(617) 727-9140
(617) 523-1205 (MCPPO Program)
(800) 322-1323 (confidential 24-
hour hotline)

Internet and Fax:

www.mass.gov/ig
(617) 723-2334 (fax)

This page intentionally left blank.

Overview

In August 2006, the City of Springfield (City) published an Invitation for Bid (IFB) for police department ordered towing and storage services; including the disposition of abandoned vehicles, accident clean-up, storage of vehicles, and other towing as may be designated by the City. The storage of vehicles impounded by the police department was also referenced in the IFB as a requisite service.

The contract for these police ordered towing and storage services was awarded in April 2007 to CF, Inc. (d/b/a the Springfield Towing Alliance). The contract between the City and the Springfield Towing Alliance (STA) for these police ordered towing and storage services (contract number 0610) was finalized on April 25, 2007. The contract provided that the services to be performed by STA would commence on May 1, 2007 and would be completed by April 30, 2010. The contract also provided that at the sole discretion of the City, the agreement may be extended for up to two (2) one (1) year terms. The City reserved the right to terminate the contract without cause at its sole discretion and convenience, upon providing thirty (30) days written notice to the STA. As part of the contractual agreement the City leased the city-owned facility at 29 Chandler Street to the STA for a monthly rental rate of \$2,050.00. This facility served as the storage yard for vehicles towed by the STA.

As provided through the agreement, the STA commenced towing and storage services on behalf of the City on May 1, 2007. Approximately fifteen (15) months into the contract, the City Auditor at the request of the Mayor and the Finance Control Board conducted a compliance review of the contract. The review covered the period of time from May 1, 2007 through July 31, 2008. On August 29, 2008 the City Auditor published his review findings and recommendations. The City Auditor's report included seventeen (17) findings with associated recommendations. Several findings related to determinations that money was owed by the STA to the City. Reference was also made in several of the City Auditor's recommendations that consideration should be given to terminating the agreement between the City and the STA.

On September 15, 2008, the STA responded to the City Auditor's report. The response package included sundry documents including an inventory schedule of vehicles purportedly still on the lot as of July 31, 2008. The response from the STA also articulated the position that rather than owing money to the City, the STA was owed approximately \$400,000.00 by the City. The single largest claim was for a billing of \$307,865.28, dated September 4, 2008, from the STA to the City related to the "fair market" value of forty-five (45) unaccounted for vehicles towed at the City's request by the STA to police headquarters at 130 Pearl Street as opposed to the Chandler Street yard managed by the STA. There was another STA billing to the City in the amount of \$4,266.00 dated October 20, 2007. This billing was related to tow service charges for vehicles towed at the direction of the City by the STA from the lot of the previous towing contractor at 350 Pasco Road to the STA storage lot at 29 Chandler Street. Also referenced in the response was the position taken by the STA that they were owed money from the City for storage charges on vehicles placed under "police hold" by the police department. Remaining claims from October 2007 totaling approximately \$60,000 for the associated storage charges were included in the response package.

Through a letter dated September 30, 2008 the City formally notified STA of its intent to terminate the towing and storage services contract. The notification indicated that effective November 1, 2008; the STA should cease and desist from acting as an agent for the City. In providing this notice the City invoked its right under the agreement to terminate the contract without cause. Through a separate letter, also dated September 30, 2008, the City made a demand for payment on the STA for the amount of \$142,824.86. The total payment demand of \$142,824.86 was comprised of the following categories: \$80,495.50 – Underpayment by STA to the City of administrative and remittance fees on police ordered tows; \$48,063.25 – Unauthorized credits taken by STA; \$9,866.11 – STA related utility bills previously paid by the City; and, \$4,400.00 – STA related repair and maintenance work performed by the City but not previously billed by the City to the STA.

On October 23, 2008 the STA issued two invoices to the City totaling \$2,891,713.27. One of the invoices (\$1,281,361.14) was related to towing and storage charges for 197

vehicles identified as on police hold. The other invoice (\$1,610,532.13) was associated with the towing and storage services for the remaining 470 vehicles not on police hold but in ending inventory as of October 23, 2008.

In September 2008 the Office of the Inspector General was contacted by the State Auditor regarding the dispute between the City and the STA. The State Auditor had previously been contacted by State Representative Benjamin Swan, State Representative Cheryl A. Coakley-Rivera and Springfield City Councilor Jose Tosado requesting a special investigation into the City Auditor's review and audit of the police-ordered towing contract. Based on the request made by the State Auditor this Office agreed to conduct a review of the towing contract and the associated compliance review conducted by the City Auditor.

This page intentionally left blank.

Focus and Methodology of the OIG Review

As previously mentioned, the City Auditor's report addressed seventeen (17) findings. Most of these findings were operational and/or administrative in nature while a few were primarily financially centered. This Office focused its review on the associated financial findings. A primary objective of our review was to validate the resulting financial claims made by the City based on the City Auditor's report. A complimentary objective was to authenticate the financial counter claims made by the STA against the City.

In line with this financial focus, our review concentrated on the associated fees addressed in the contractual agreement. These fees included administrative fees, remittance fees, storage fees and lease payments.

In conducting the review, this Office obtained numerous documents including data files from both the City and the STA. These data files included both the City's and the STA's representations of all tows ordered by the police department from May 1, 2007 through July 31, 2008. This Office also obtained and reviewed the pertinent contract documents that included all of the following: City Contract (No. 0610) Agreement for Police-Ordered Towing and Storage Services (dated April 25, 2007), the City's IFB No. 41 (dated August 7, 2006) including pre-proposal conference questions and answers addendum (dated August 28, 2006), the STA technical proposal in response to the IFB (dated October 28, 2006), the STA response to Additional Information Request (dated January 24, 2007), the STA Price Quotation (dated October 28, 2006), and the STA Demonstration/Revenue Estimations (dated March 27, 2007).

Our approach in conducting this review was to first arrive at a common or consistent understanding in terms of the total number of police ordered tows (from May 1, 2007 through July 31, 2008) between what both the City and the STA recognized within their unique databases. We then categorized these total police ordered tows into various groupings. This categorization exercise was important since the fees that were paid or should have been paid or accrued varied based on the tow classification status. As an example, a remittance fee does not apply if an abandoned vehicle is salvaged rather than auctioned. Also vehicles in ending inventory pose potential cross claims

(contingent payables and receivables) between the City and the STA for the associated administrative fees, remittance fees, net towing fees and storage fees.

After gaining a common/consistent understanding of the total tows, that were also appropriately categorized, we were then able to apply the applicable billing rates for each of the fees referenced in the contract documents in order to determine the net amounts owed between the two parties. Our analyses were focused on the police ordered tows occurring during the timeframe from May 1, 2007 through July 31, 2008. This is consistent with the review period covered in the City Auditor's report. In analyzing the associated financial obligations related to this tow activity, this Office provided three snapshot views over time (July 31, 2008, October 31, 2008 and July 9, 2009). However, in order to have a complete accounting of the total potential contract revenue accruing to both the City and the STA, the final three months (August 2008 – October 2008) of contracted police ordered tow activity should be incorporated.

Contractual Fees and Lease Rates:

Highlighted below are the financial transaction rates utilized in our review. These rates were obtained through review of the pertinent contract documents.

Administrative Fee: The contract provided that the STA would collect, on behalf of the City, an administrative fee of thirty dollars (\$30.00) per tow for the police-ordered towing services. The contract further provided that fees collected (emphasis added) each month by the STA would be accumulated for that month and remitted to the police department no later than the 15th day of the succeeding month. All vehicles towed at the direction of the police department except for police department vehicles located/towed within the city limits, were subject to this administrative fee.

Towing and Remittance Fees: A towing fee of seventy-nine (\$79.00) dollars per vehicle was established through the agreement. The STA was required to pay the City a remittance fee of 25% of each towing fee collected (\$19.75 per vehicle). The net towing fee of \$59.25 was retained by the STA and was used to pay its own towing subcontractors. In the event that no towing fee was collected on a particular vehicle, the contract provided that if the vehicle was ultimately auctioned by the STA, then the STA

would pay the City the lesser of 25% of the auction price or \$19.75 per vehicle. If an abandoned vehicle was salvaged rather than auctioned, the remittance fee did not apply.

Storage Fee: The STA was allowed to charge a maximum storage fee of twenty dollars (\$20.00) per twenty-four (24) hour period for each police-ordered towed vehicle. The STA was also required through the contract agreement to set aside at the request of the Police Department, a separate area of their yard for storage of vehicles seized by the Police Department for evidentiary purposes. These impounded vehicles could only be released upon written authorization by the Police Department.

Facility Rent: The City and the STA entered into a rental agreement for the storage yard facility at 29 Chandler Street. The STA agreed to pay the City for the use of the facility at a monthly rental rate of two thousand fifty dollars (\$2,050.00), due and payable on the first day of each month.

Number of Police Ordered Tows:

An accurate vehicle count is critical in determining associated financial obligations and resolving potential disputes. As we began our review, it was apparent that there were significant differences between the City and the STA with respect to the total number of police ordered tows, encompassing the fifteen (15) month period from May 1, 2007 through July 31, 2008.

The Revenue Analysis incorporated in Finding 1 of the City Auditor's report (dated August 29, 2008) identified a total of 8,803 police ordered tows from May 1, 2007 through July 31, 2008. The report indicated that the City Auditor, in compiling the 8,803 police ordered tows from the Springfield Police Department (SPD) tow database, had taken into account cancelled tows and had adjusted or reduced the total number of tows for these cancellations.

The STA in their response (dated September 15, 2008) to the City Auditor's report provided a reconciliation (prepared by a consultant – Michael Tenerowicz, CPA) of tow activity as reflected in the STA tow data base. This reconciliation, after taking into

account items such as cancelled tows, police vehicle tows and improperly towed vehicles, resulted in a net vehicle tow count of 8,292 or 511 fewer vehicles than the 8,803 number recognized by the City. On February 9, 2009, the STA through its consultant (Michael Tenerowicz) provided this Office with an amended reconciliation. This updated reconciliation reflected additional adjustment categories that resulted in a revised STA net vehicle tow count of 8,037 or 766 fewer than the count acknowledged by the City.

In order to arrive at a common baseline of police ordered tows, this Office requested from both the City and from the STA their respective data files depicting all tows ordered by the police department from May 1, 2007 through July 31, 2008. In order to enable a reconciliation of the individual tows reflected in the two files, this Office requested that each tow line item reflect the Incident/Ticket #, the date of tow, the vehicle identification number, the license plate number, the vehicle make/model/year and the vehicle color. In addition this Office requested that any of the following special conditions if applicable to a tow incident be specifically identified: Vehicle Tow Cancelled, Vehicle in Ending Inventory (as of July 31, 2008), Vehicle Auctioned/Sold, Vehicle Salvaged, Police Vehicle Towed, and Vehicle Towed to Police Headquarters.

In response to this request the City provided a database file reflecting 9,090 individual police ordered tows. This file was very detailed and contained data fields for all the requested vehicle identification information along with the towing dates. The file also identified/classified 302 of the 9,090 police ordered tows as cancelled tows. The City indicated that during this timeframe, police vehicles towed were not tracked in any database kept by the Police Department. Other requested classifications of vehicles including ending inventory, salvaged, sold/auctioned and police directed tows to police headquarters were not flagged or highlighted in the City's tow data base. The City did not have this level of detail available since the STA did not routinely provide this data. Based on the tow details provided by the City, this Office determined that during this fifteen (15) month period under review there were 8,788 (9,090 total tows minus 302 cancelled tows) revenue producing tows reflected in the City's tow database. This

determination is within fifteen (15) tows of the 8,803 referenced in the City Auditor's report.

The STA responded to this Office's request by providing a database file that incorporated 9,107 individual tow entries. Each tow line item in the STA database included a tow date, a call number, a street location and a tow driver reference. Most, but not all, of these identified tows included associated incident numbers. The file did not contain any of the requested specific vehicle identification information. However, the STA did provide subsidiary files that reflected the various requested classifications of vehicles including: ending inventory, auctioned/sold, salvaged, police vehicles towed, tows to police headquarters, and cancelled tows. Most of these subsidiary files included the requested vehicle identification information.

As part of the reconciliation process this Office took data from the subsidiary files and referenced it back to the STA database containing the 9,107 tow entries. This was done in order to ensure consistency between the files. Although the STA provided a subsidiary file detailing 548 cancelled tows these line items could not be traced back into the STA tow database and therefore do not enter into our overall reconciliation. Through our review we were able to corroborate that the subsidiary file reflecting 278 police vehicles towed were in fact included in the STA tow database and thus became a reconciling item in our reconciliation process. Also through our review, we were able to reasonably ascertain that there were approximately forty (40) private or non police department tows in the STA tow database and therefore these vehicles also became reconciling items.

Based on the tow details provided by the STA, this Office determined that it is reasonable to conclude that from May 1, 2007 through July 31, 2008 there were 8,788 (9,107 total tows – 278 police vehicle tows – 40 private tows) revenue producing tows for the City reflected in the STA tow database. The table below reflects the summary reconciliation between the two tow databases.

	SPD	STA
Total Tows in Database	9,090	9,107
Cancelled Tows	302	NA
Police Vehicles Towed	NA	278
Private/non Police Department Tows	NA	40
Net Police Ordered Revenue Generating Tows	8,788	8,788

As a direct result of this unit reconciliation process, this Office used the 8,788 net police ordered revenue generating tows reflected above in all of our subsequent calculations for determining the associated financial obligations.

Characterization of Police Ordered Tows:

As was previously noted, the characterization of the police ordered tows into common groupings was/is critical to the process of determining the associated financial obligations. Both the applicability of a particular fee and the timing of payment are dependent on the nature and current status of the towed vehicle.

The City Auditor indicated in his report issued on August 29, 2008 that documentation had not been submitted by the STA that would allow the police department to determine the current number of vehicles remaining in storage. The report also highlighted documentation deficiencies with respect to the disposal of salvaged or auctioned vehicles. Due to this lack of documentation, the City Auditor applied the full amount of Administrative Fee (\$30.00) and Remittance Fee (\$19.75) against all the police ordered tows (8,803) he compiled during his review.

In their response (September 15, 2008) to the City Auditor's report the STA provided several supporting schedules, including two storage lot inventory summaries (one as of July 31, 2008 and the other as of September 11, 2008) and a summary report depicting police ordered tows delivered to police headquarters as opposed to the STA storage facility on Chandler Street. Subsequent to their September 15, 2008 response, the STA provided additional documents including schedules depicting the vehicles that were disposed/salvaged and the vehicles that were sold/auctioned. In addition STA provided

an updated ending inventory schedule and a revised schedule of towed vehicles delivered directly to police headquarters. This Office utilized these vehicle classifications depicted below and the associated number of vehicles in each category in order to arrive at the associated financial obligations.

Vehicles Sold/Auctioned: The STA provided to this Office and to the City a schedule of vehicles towed between May 1, 2007 and July 31, 2008 that were ultimately sold by the STA in an effort to recoup monies owed for the associated towing and storage charges. The schedule reflected seventy-seven (77) vehicles that were sold. Individual vehicle sales prices ranged from \$50.00 to \$4,000.00. According to the schedule a total of \$86,172.00 or an average of \$1,119 per vehicle was recovered by the STA through these sales efforts. The STA also included a lump sum figure of \$122,195.93 as a reported cost to repair and warranty costs associated with the sale of these vehicles. A net recovery amount or loss of (\$36,023.93) was calculated ($\$86,172.00 - \$122,195.93$) and reflected on the schedule.

This Office did not independently verify these sales, cost to repair and warranty figures nor did the Office review/validate the disposition process used by the STA. However, in the opinion of this Office, whether the STA generated a profit or a loss from these activities does not impact on the amounts owed to the City by the STA for the associated Administrative and Remittance Fees. For each of these 77 vehicles sold it is our judgment that the City is entitled to the full Administrative Fee of \$30.00 per vehicle. In most cases (75 of the 77 vehicles sold) the City would be entitled to the full Remittance Fee of \$19.75. There were however two vehicles that sold for only \$50.00 each. In these two instances the Remittance Fee would only be \$12.50 per vehicle since the City is only entitled to the lesser of 25% of the auction price or \$19.75 per vehicle.

The total Administrative Fees due to the City for these sold vehicles is \$2,310.00 (77 vehicles x \$30/vehicle) and the total associated Remittance Fees due to the City is \$1,506.25 (75 vehicles x 19.75/vehicle + (2 vehicles x (\$50.00/vehicle x 25%))).

Vehicles Scrapped/ Salvaged: This Office received a schedule from the STA reflecting vehicles towed between May 1, 2007 and July 31, 2008 that were eventually scrapped/salvaged by the STA. This same schedule had also been provided by the STA to the City. The schedule reflects by incident number and various vehicle identifiers (including make, model, year, and VIN number) the 531 vehicles that were purportedly disposed of by the STA through a scrap/salvage process. Reflected alongside each vehicle transaction is the dealer who purchased the vehicle along with the sales/salvage price. According to the schedule a total of \$113,552.05 or an average of \$213.85 per vehicle was received by the STA through these scrap/salvage efforts. This Office did not independently confirm these salvage related transactions or the compliance of the STA with the applicable Massachusetts General Laws including those related to proper notification and advertisement prior to the salvaging of the towed vehicles. This Office accepted these representations as reasonable if not conservative assertion of this type of activity (the City had provided an estimate in the IFB of annual scrap activity at 1,500 vehicles).

Based on a review of the contract terms between the STA and the City it is the opinion of this Office that the City would be entitled to the \$30.00 Administrative Fee for each vehicle scrapped/salvaged by the STA. However, there would be no associated Remittance Fee payable to the City for these 531 vehicles. The agreement between the City and the STA provides that if a vehicle is scrapped/salvaged rather than auctioned, the Remittance Fee does not apply. Therefore, the City would only be entitled to an Administrative Fee of \$15,930.00 (531 vehicles x \$30.00/vehicle) for these scrapped vehicles.

Vehicles Towed Directly to Police Headquarters: On September 4, 2008, the STA submitted to the City a schedule of vehicles towed at the request of the City directly to police headquarters at 130 Pearl Street as opposed to being delivered at the STA storage lot on Chandler Street. The schedule reflected a total of forty-five (45) vehicles of which forty-two (42) pertained to tow activity within the timeframe from May 1, 2007 through July 31, 2008. The other three (3) vehicles were towed after the July 31, 2008 cut-off. The STA determined a fair market value of \$307,865.28 for these forty-five (45)

vehicles and then billed the City this amount. This Office understands that the STA, as the bailee of these towed vehicles took the position to bill the City for the fair market value of these vehicles since at that time, the STA did not have an accounting from the City regarding the status of these vehicles. As a towing/storage bailee, the STA could potentially be responsible for damages/losses that might happen to a vehicle until it is delivered to the rightful owner.

The City reviewed the schedule of vehicles towed directly to police headquarters and provided an update on each of these vehicles to the STA on September 30, 2008. The update was referenced in the demand for payment letter sent by the City to the STA. The status provided by the City indicated that the majority of these vehicles had been released by the police department to the owners. Four of the forty-two (42) vehicles were identified by the City as being at the STA lot, one (1) of the vehicles was listed as being at police headquarters and the whereabouts of three (3) of the vehicles which were believed to have been released to their owners could not be verified by the City at the time of the status update.

This Office did not independently verify the release of these vehicles by the City to their owners. This Office could not trace any of the four vehicles identified by the City as being in inventory back to the STA lot as of July 31, 2008. However, one of these four vehicles was found on the ending inventory (October 31, 2008) schedule provided by the City. In the opinion of this Office regardless of whether the forty-two vehicles had been returned to their owners or were still in inventory would not affect the Administrative Fee or Remittance Fee calculations as of July 31, 2008.

It is the opinion of this Office that the vehicles delivered by the STA directly to police headquarters would not result in any required payment of Administrative or Remittance Fees from the STA to the City. Rather than owe money to the City for these vehicles, it is our opinion that the STA would be owed the net towing charge of \$59.25 (\$79.00 (full tow charge) - \$19.75 (Remittance Fee)) per vehicle for all the vehicles that were either returned directly by the City to their owners or could not otherwise be accounted for as being in the STA's possession/inventory records. This Office calculated the total amount

of towing fees owed by the City to STA as \$2,488.50 (42 vehicles x 59.25 net towing fee).

Vehicles Towed from Prior Contractor to STA Storage Lot: Early in the contract, the City requested the STA to move certain vehicles from the prior towing contractor's lot to the STA storage lot on Chandler Street. In total seventy-two (72) vehicles that were on police hold at the prior contractor's lot were involved in the move. Although there were several discussions between the City and the STA regarding the appropriate billing rates for this service there was never a finalized written agreement between the two parties. The STA eventually unilaterally decided to bill the City a total of \$4,266.00 (72 vehicles x \$59.25 (\$79.00 tow charge - \$19.75 Remittance Fee)) for towing these vehicles from 350 Pasco Road to 29 Chandler Street.

Vehicles in Ending Inventory: The City in both the City Auditor's report (August 29, 2008) and in the City's Demand for Payment Letter (September 30, 2008) did not consider vehicles in ending inventory on the STA lot as a limiting factor in any of the associated financial determinations against the STA. The City indicated in both communications that the reason for excluding the ending inventory effect was due to the fact that documentation had not been submitted to the City by the STA that would allow the police department to determine the current number of vehicles remaining in storage. Although this Office recognizes that at the time of the City's review the STA had not provided a detailed inventory listing to the City, it is unfortunate that the City did not independently perform a physical inventory of the vehicles on the STA lot as of July 31, 2008. Conducting a physical inventory is often used as a standard audit procedure and in the opinion of this Office would have provided an appropriate baseline for determining the associated financial revenues and obligations; especially since the City utilized the Auditor's findings as the basis for initiating a payment demand against the STA.

On September 15, 2008, the STA in responding to the City Auditor's report provided a detailed inventory schedule. The schedule reflected 438 vehicles that were purportedly in inventory as of July 31, 2008. Each vehicle incorporated specific identifiers including the associated incident numbers, VIN numbers and vehicle descriptions. The City, after

cancelling the towing contract with the STA, independently performed a physical inventory of the vehicles remaining at the Chandler Street storage lot. The City identified a total of 678 vehicles remaining in storage as of October 31, 2008.

Given these two snapshot views (July 31, 2008 and October 31, 2008) of ending inventory, this Office performed several tests in order to determine the reasonableness of the ending inventory provided by the STA as of July 31, 2008. As a first step, this Office traced each of these 438 vehicles, by incident number, back to the City/SPD data base of police ordered tows from May 1, 2007 through July 31, 2008. No exceptions were noted during this process. This Office then compared this ending inventory file to the vehicles identified by the STA as either being sold/auctioned and/or scrapped/salvaged. This process revealed six (6) vehicles in ending inventory (July 31, 2008) that had previously been identified by the STA as being either sold/auctioned or scrapped/salvaged. In addition there were seven (7) other vehicles that were reported by the STA as being in ending inventory that had previously also been reported by the STA to the City as being paid and therefore should reasonably indicate that the vehicles had already been released and should not be in ending inventory.

This Office also reviewed the October 31, 2008 ending inventory file provided by the City and determined that of the 678 vehicles listed, 353 related to police ordered tows from May 1, 2007 through July 31, 2008. We also determined that of these 353 vehicles, there were 23 vehicles that were not on the STA's July 31, 2008 inventory list nor had they previously been identified by the STA as either sold, scrapped/salvaged or paid. In addition to the 353 vehicles referenced above, this Office was able to breakout the remaining vehicles in the ending inventory (October 31, 2008) as follows: 248 vehicles that related to police ordered tows occurring during the last three months (August 1, 2008 through October 31, 2008) of the contract term; 52 vehicles that remained from the 72 that had been towed by the STA from the prior contractor's lot to the STA lot under the direction of the City; and, 25 vehicles that we could not track and which could represent, among other things, private tows conducted by the STA.

Based on the analysis above, this Office established a July 31, 2008 ending inventory of 448 vehicles. This was determined in the following manner: 438 (ending Inventory as provided by the STA) – 13 (vehicles in the STA ending inventory list that had previously been identified as either sold, scrapped/salvaged and/or paid) + 23 (vehicles in the City's October 31, 2008 inventory that had not been included in the STA's July 31, 2008 inventory and also had not previously been identified by the STA as either sold, scrapped/salvaged, and/or paid). This Office used this ending inventory figure of 448 vehicles in determining revenue owed to the City by the STA as of the July 31, 2008 cut-off established in the City Auditor's report. In the opinion of this Office this is a reasonable approach for determining ending inventory and related financial obligations.

Other Categories: Based on our review of certain documents provided by the City, this Office came to understand that there are other categories of towed vehicles that would impact the amount of towing fee payable to the City by the STA. These additional categories include both "vehicles released at the scene" and those vehicles deemed to have been "improperly towed". Vehicles released at the scene represent reduced administrative and remittance fees payable to the City and improperly towed vehicles result in no payment to the City or to the STA.

In order to properly compute the overall towing fee revenues and liabilities this Office requested that both parties (the City and the STA) provide this Office with schedules of police ordered tows that would fall into these two categories. Neither party provided these details. The City indicated that the data was unavailable due to the failure of the STA to comply with its contract with the City. No response was received from the STA.

Since these details were not available, this Office utilized the full payment rates for these special categories in determining the related payables/receivables. The net effect caused by this missing data is that the overall amounts determined by this Office to be owed to the City by the STA may be overstated.

Financial Claims/Cross Claims:

In his report, dated August 29, 2008, the City Auditor determined that as of July 31, 2008, the total towing fee revenue (Administrative Fees and Remittance Fees) accruing

to the City was \$437,949.25 (8803 vehicles towed x \$49.75 (\$30 Administrative Fee and \$19.75 Remittance Fee)). The report also indicated that only \$309,390.50 had been remitted to the City by the STA. The remaining towing fees owed to the City were highlighted in the report as \$128,558.75 (\$437,949.25 - \$309,390.50).

Since documentation depicting the various vehicle groupings (such as ending inventory and scrap) was not available at that time, the City Auditor calculated the towing fees based on the total volume of towed vehicles and the assumed full applicability of both the Administrative Fee and the Remittance Fee. In contrast, the STA in their response to the City Auditor's report findings claimed that the City owed them approximately \$400,000.00. Included as part of the backup support for this claim were three (3) invoices from the STA to the City covering the following items: \$307,865.28 for the "Fair Market Value" of 45 unaccounted for vehicles ordered towed and held at police headquarters; \$59,077.75 in claims from October 2007 associated with storage charges for vehicles under police hold, and; \$4,266.00 for 72 vehicles towed at the City's request to the STA Lot from the previous towing contractor's yard at Pasco Road.

In October 2008 the STA submitted two additional invoices to the City. One invoice was for \$1,610,352.13 and referenced towing and storage fees for 470 vehicles not on police hold that were located at the STA storage lot. The other invoice was for \$1,281,361.14 and also referenced towing and storage fees for 197 vehicles that were on police hold at the STA storage lot.

Given the significant disparity in revenue claims between the two parties and the known deficiencies in the documentation available at the time of the City Auditor's review, this Office independently estimated the related revenues and financial obligations between the STA and the City for the police ordered tows occurring during the timeframe from May 1, 2007 through July 31, 2008. Since ending inventory plays a significant role in the determination of revenue recognition, this Office calculated the associated revenue and liabilities at three distinct dates: July 31, 2008; October 31, 2008; and, July 9, 2009. Vehicles in ending inventory represent unrecognized but potential contingent revenue comprised of Administrative Fees (payable to the City), Remittance Fees (payable to

the City), other Towing Fees (payable to the STA) and Storage Fees (payable to the STA). These calculations/methodologies are discussed in more detail below.

Snapshot View – July 31, 2008:

Revenue Accruing to the City as of July 31, 2008:

This Office determined that as of July 31, 2008 there was a total of \$402,323.75 in fees (Administrative - \$248,940.00 and Remittance - \$153,383.75) accruing to the City for the 8,788 police ordered tows from May 1, 2007 through July 31, 2008. The breakout, by vehicle category, of this revenue is discussed below and is also summarized in the table at the end of this section.

For the 77 vehicles sold/auctioned prior to July 31, 2008 by the STA, we calculated a total of \$3,816.25 in fee revenue (Administrative - \$2,310.00 (77 vehicles x \$30.00 per vehicle) and Remittance - \$1,506.25 (75 vehicles x \$19.75/vehicle + 2 vehicles x (\$50.00/vehicle x 25%))) accruing to the City. We also computed a total of \$15,930.00 (531 vehicles x \$30.00/vehicle) in Administrative Fee revenue accumulating to the City related to the 531 vehicles scrapped/salvaged by the STA prior to July 31, 2008. As per the contract terms, there was no associated Remittance Fee revenue due to the City for these salvaged vehicles. There was no Administrative Fee and no Remittance Fee revenue accruing to the City's benefit for the 42 vehicles towed by the STA directly to police headquarters. Most of these vehicles had been returned to their owners by the City and the other few remaining vehicles could not be accounted for as being returned to the custody of the STA prior to July 31, 2008. Although the ending inventory (July 31, 2008) of 448 vehicles represents significant revenue potential (Administrative Fees, Remittance Fees, Towing Fees, Storage Fees) this revenue possibility remains unrecognized as of the July 31, 2008 cut-off. There is an unrecognized fee revenue potential for the City of up to \$22,288.00 (Administrative - \$13,440.00 (448 vehicles x \$30.00/vehicle) and Remittance - \$8,848.00 (448 vehicles x \$19.75/vehicle)) associated with the vehicles in ending inventory as of July 31, 2008. Deducting the various categories of towed vehicles (sold/auctioned, scrapped/salvaged, delivered to police headquarters, and ending inventory) from the 8,788 total police ordered tows (May 1,

2007 through July 31, 2008) results in an imputed number of 7,690 vehicles that are assumed to have been paid for/returned to their owners. The associated fee revenue accruing to the City for these vehicles is determined as \$382,577.50 (Administrative - \$230,700.00 (7,690 vehicles x \$30.00 per vehicle) and Remittance - \$151,877.50 (7,690 vehicles x \$19.75/vehicle)).

The summary schedule below reflects the fee revenue as determined by this Office (by applicable vehicle categories) accruing to the City as of July 31, 2008.

Vehicle Category	Vehicle #	Admin Fee	Remit Fee	Total Fee
Sold/Auctioned	77	\$2,310.00	\$1,506.25	\$3,816.25
Scrapped/Salvaged	531	\$15,930.00	\$0.00	\$15,930.00
Delivered to PD	42	\$0.00	\$0.00	\$0.00
Ending Inventory	448	\$0.00	\$0.00	\$0.00
Imputed Paid/Returned	7,690	\$230,700.00	\$151,877.50	\$382,577.50
Total Tows (5/1/07-7/31/08)	8,788	\$248,940.00	\$153,383.75	\$402,323.75

Revenue Accruing to the STA as of July 31, 2008:

From May 1, 2007 through October 31, 2008, the STA was responsible for collecting the associated Towing, Administrative and Storage fees from the vehicle owners. Due to these collection duties, there would be no revenue accruing to the STA as of July 31, 2008 from the City except for unique or special service requests made by the City. In the opinion of this Office the 42 vehicles that the Police Department requested to be towed by the STA directly to police headquarters fall into this category. Based on input from the City, the majority of these vehicles were released by the City directly to the vehicle owners, while the remaining few vehicles could not be accounted for as being returned to the custody of the STA as of July 31, 2008. In the opinion of this Office, since the vehicles that were placed in the City's control were either released or unaccounted for, the City would be responsible for the collection of the associated towing fees and the related payment of the net towing fees to the STA. Therefore this Office concludes that as of July 31, 2008 the City had incurred a liability of \$2,488.50

(42 vehicles x \$59.25) owed to the STA for the net tow charges on these 42 vehicles delivered by the STA directly to police headquarters.

As was previously noted, the STA's position was to bill the City for the fair market value of these unaccounted for vehicles. Although this Office understands the concerns of the STA, this Office does not agree with this fair market value billing. In our opinion a simpler and more productive approach would be for the City to provide protection to the STA through a waiver agreement whereby the City would assume any liability that may be brought about by future actions from any of these 42 vehicle owners.

This Office also considered whether the 72 vehicles towed from the prior contractor to the STA storage lot should also be considered a special situation that would trigger revenue recognition as of July 31, 2008 for the STA from the City. The STA had previously taken this position and had accordingly billed the City. In reviewing this special situation, this Office concludes that although tow charges should accrue to the STA for these services the timing for recognizing the associated revenue should be at final vehicle disposition (i.e. return to owner, sale/auction, scrap/salvage etc.). Therefore this Office does not support the STA's accrual and billing of the net Tow Fee (as of July 31, 2008) for these vehicles towed from the previous tow contractor's lot to the STA storage lot. In the opinion of this Office, the City will incur liabilities (and the STA would recognize complimentary revenue) for the net tow charges and associated storage fees (up until October 31, 2008) as the City disposes the remaining vehicles in inventory.

Snapshot View – October 31, 2008:

Revenue Accruing to the City from 8/1/08 – 10/31/08:

This Office determined that by October 31, 2008 an additional \$4,726.25 in fee revenue (Administrative Fee - \$2,850.00 and Remittance Fee - \$1,876.25) had accrued to the benefit of the City and would be payable by the STA to the City. This additional revenue is related to 95 vehicles that were in ending inventory as of July 31, 2008 but that are presumed to have been released at some point during the subsequent three month period. As previously highlighted, there were 448 vehicles in ending inventory on July 31, 2008. The City in conducting its physical inventory determined that there were 353

vehicles that had been towed during the May 1, 2007 to July 31, 2008 timeframe but that were still in inventory as of October 31, 2008. This Office netted the 353 vehicles in inventory on October 31, 2008 from the 448 vehicles in inventory on July 31, 2008 to arrive at a net inventory reduction of 95 vehicles during this interim three month period. In calculating the additional fee revenue accruing to the City, this Office assumed and assessed the full Administrative Fee of \$30.00 per vehicle and the full Remittance Fee of \$19.75 per vehicle.

Similar to the City Auditor's report, our review focused on the revenue generating towing activities occurring during the first 15 months of the contract and did not consider the new towing activities that took place during the last 3 months (August through October 2008) of the contract. The City and the STA need to reconcile the tow activities for the last 3 months of the contract in order to arrive at a final financial accounting and reconciliation covering the entire contract term.

Revenue Accruing to the STA from 8/1/08 – 10/31/08:

As previously highlighted, since the STA was responsible for collecting the associated towing and storage fees directly from the vehicle owners during the three month period from August 1, 2008 through October 31, 2008; there would be no tow and storage revenue accruing to the STA from the City during this timeframe. This Office is also not aware of any special service requests made by the City during this timeframe that would generate a revenue claim by the STA against the City.

In this timeframe, the STA submitted two invoices (dated October 23, 2008) to the City for towing, storage, administrative and fuel surcharge fees pertaining to vehicles that had not yet been returned to their owners and were still on the STA lot. These two invoices billed to the City totaled \$2,891,713.27. Although this Office recognizes that the potential for significant future revenue associated with vehicles in ending inventory, it is the opinion of this Office that this revenue potential should not be recognized by either the STA or the City until it actually realized through a formal disposition of the vehicle(s).

Snapshot View – July 9, 2009:

Beginning with the City's termination of the towing and storage services contract on November 1, 2008 the City assumed primary responsibility for towing and storage operations including custody and disposition of the vehicles in ending inventory as of October 31, 2008. Through this transfer of responsibilities, the City assumed the necessary duty of revenue collector for the vehicles in its custody and as such no additional liability for the associated fees would inure to the STA. Rather the City would now be responsible for collecting its own Administrative and Remittance Fees along with the Towing and Storage Fees owed to the STA. After the transition, the City became responsible for collecting on behalf of the STA the applicable Towing and Storage Fees.

As previously highlighted, the City conducted a physical inventory of the vehicles still in storage as of October 31, 2008 and determined a total ending inventory count of 678 vehicles. This Office analyzed the ending inventory schedule provided by the City and ascertained that 353 of these vehicles in ending inventory were related to vehicles towed by the STA during the timeframe from May 1, 2007 through July 31, 2008 (the period covered in the City Auditor's report). In addition 52 vehicles in ending inventory were identified as vehicles towed by the STA at the City's direction from the previous contractor's lot to the STA storage lot.

The City recently provided to this Office a status update that was dated July 9, 2009 and reflected the current or best available data on the vehicles that were in ending inventory as of October 31, 2008. According to this update, during the period from November 1, 2008 through July 9, 2009, the City released 17 of the 353 vehicles towed by the STA prior to July 31, 2008 and that were still in ending inventory on October 31, 2008 and also released 8 of the remaining 52 vehicles in ending inventory (October 31, 2008) that were towed from the previous tow contractor's lot to the STA storage lot. The City released these 25 vehicles to the owners or to the respective insurance companies. Each of these vehicles released by the City represents a revenue claim accruing to the STA for both the net towing charges and the associated storage fees.

Based on the contractual rates, the total associated revenue accruing to the STA from the City for the release by the City of these 25 vehicles would be \$168,621.25. This revenue breaks out as follows: \$167,140.00 Storage Fees (\$20.00 per day x 8,357 days of storage); and, \$1,481.25 Net Towing Charges (25 vehicles x \$59.25 (\$79.00 towing charge - \$19.75 (Remittance Fee or 25% of the \$79.00 towing charge))).

There is significant unrecognized revenue potential that would inure to the STA once a final disposition is concluded for each of the vehicles that were towed for the City by the STA but that are still in inventory. Based on the City's July 9, 2009 status update there remain in storage 336 vehicles that were towed by the STA on behalf of the City. These 336 vehicles were all towed prior to the July 31, 2008 cut-off. Also remaining in inventory as of July 9, 2009 are 44 of the vehicles towed by the STA (prior to July 31, 2008) from the previous contractor's lot to the STA storage lot. This Office calculated the maximum potential (although highly unlikely) towing charges and storage fees that could eventually be recognized by the STA once final vehicle disposition were to occur. There is a maximum potential recovery of \$22,515 in towing charges (380 vehicles (336+44) x \$59.25 (\$79.00 towing fee - \$19.75 Remittance Fee (\$79.00 towing fee x 25%))) and \$2,270,720.00 in storage fees (\$20.00 per day x 113,536 storage days). Storage days for each vehicle were calculated from the day after the actual tow through October 31, 2008.

The computations above relate only to those vehicles that were towed prior to July 31, 2008 but that were still in inventory as of October 31, 2008. As previously noted, the tow activities covering the last three months (August 2008 through October 2008) of the contract were not considered in our analysis. The City and the STA need to reconcile the tow activities for these final three months of the contract in order to arrive at a final accounting and pertinent responsibilities for the associated revenue and liability attributions or payables/receivables between the two parties that would cover the entire contract term.

Revenue Cross Claims – Tow Activity 5/1/07 – 7/31/08:

Summarized in the table below are this Office’s determinations of the revenue claims/cross claims, expressed as receivables/(payables) between the City and the STA for the related towing activities from May 1, 2007 through July 31, 2008 and viewed at three (3) distinct points in time (July 31, 2008, October 31, 2008, and July 9, 2009). As referenced below, there was a significant shortfall in revenue (on July 31, 2008) owed to the City by the STA. Over time, with the termination of the contract and the transition of responsibilities, the financial position has shifted and the City, as of July 9, 2009, potentially owes the STA as much as \$73,450.25 for the storage fees and net towing charges associated with vehicles towed by the STA but subsequently released by the City after the termination of the contract.

	City	STA
Accrued Towing Revenue (Admin/Remit Fees) from 5/1/07-7/31/08	\$402,323.75	(\$402,323.75)
STA Remittance to City from 5/1/07 – 7/31/08	(\$309,390.50)	\$309,390.50
Net Tow Fee for Vehicles Delivered to Police Hdqtrs	(\$2,488.50)	\$2,488.50
Net Receivable/(Payable) as of 7/31/08	\$90,444.75	(\$90,444.75)
Towing Revenue (Admin/Remit Fees) for Vehicles in 7/31/08 Ending Inventory but Released by STA from 8/1/08 – 10/31/08	\$4,726.25	<\$4,726.25>
Net Receivable/(Payable) as of 10/31/08	\$95,171.00	(\$95,171.00)
Storage Fees and Net Towing Fees for Vehicles in 7/31/08 Ending Inventory but Released by City from 11/1/08 -7/9/09	(\$168,621.25)	\$168,621.25
Net Receivable/(Payable) as of 7/9/09	(\$73,450.25)	\$73,450.25

Storage Yard Rent:

The STA leased the City’s vehicle storage yard facility at 29 Chandler Street. The lease agreement provided that STA would pay a monthly rental rate of two thousand fifty dollars (\$2,050.00) for the use of this facility. The monthly rent was due and payable on the first day of each month.

The associated rental revenue accruing to the City for the fifteen (15) month period of time from May 1, 2007 through July 31, 2008 is \$30,750.00 (\$2,050.00 x 15 months).

The City Auditor's report issued on August 29, 2008 confirms that the monthly rental payments from STA were received by the City. Although all the rental payments due as of the date of the report had been received by the City, the City Auditor did however note that none of these monthly rental payments met the terms of the contract. In all cases, the City Auditor indicated that the monthly rental payments were late. According to the City Auditor's report, these individual monthly rental payments were late anywhere from 10 days to 67 days. Since all of the monthly rent payments due had been received, albeit late, by the City as of the date of the City Auditor's report this Office did not pursue this issue any further.

Police Holds and Storage Fees:

The issue of storage fees associated with police holds was raised early on during the contract and continued as a lingering and unresolved problem throughout the life of the towing and storage agreement between the City and the STA. The contract provided that for each police ordered tow, other than Springfield Police Department vehicles, STA would be entitled to collect the related storage fees which was stated as twenty (\$20.00) dollars per twenty-four (24) hour period.

The contract agreement also required that the STA would set aside at the request of the Police Department, a separate area of their yard for storage of vehicles seized by the Police Department for evidentiary purposes. The STA was prohibited from releasing a towed motor vehicle, which the Police Department had impounded or placed on "hold" on them, without prior written authorization of the Police Department.

In reviewing the various contract documents, this Office found no language specific to the storage charges for vehicles under police ordered hold. There were no exceptions or limitations noted for these police hold situations. There was no language specifically addressing any differences in terms of who would be responsible to pay these storage charges or any language limiting or capping the amount of the daily storage charges.

The STA approached these vehicles on police hold in a similar manner as any of the other towed vehicles and assessed a daily storage charge against the owners. In some cases the STA took the position to actually charge a higher storage rate. In his report,

the City Auditor identified that the STA had charged certain vehicle owners amounts in excess of what was allowed in the contractual agreement. Specifically, the City Auditor identified that some vehicle owners were being charged a storage fee of \$30.00 per day versus the contractual rate of \$20.00 per day. The response from the STA suggested that they had unilaterally determined that in order to assure the value and integrity of vehicles being held for evidentiary purposes was not compromised, these vehicles were stored out of the elements and hence were charged at the higher \$30.00 per day rate. This Office disagrees with the STA decision to charge a higher storage rate for these vehicles and therefore this Office has used the contractual \$20.00 per day storage rate in all related analyses. Since a vehicle may be on police hold for a protracted period of time, the associated storage charges can accumulate well into the thousands of dollars making it cost prohibitive and punitive for many of the owners to regain possession of their vehicles once the hold is released by the Police Department.

As previously noted, the issue of Storage Fees on police holds vehicles surfaced early in the contract term. As a result of the STA assessing these storage charges, several citizens had difficulties in regaining possession of their vehicles due to these significant storage charges. The City originally took the position that neither the City nor the citizen/owner should incur any storage fees for vehicles under a police ordered hold. However, in order to provide an interim solution until the issue could be resolved, the City indicated that it would place twenty thousand (\$20,000.00) dollars in escrow until an outcome could be determined and requested that the STA return certain police hold vehicles to their owners.

The issue remained outstanding and unresolved for the entire contract period. A means for the STA to access or obtain disbursements from the escrow fund was never implemented. The problems continued and got worse as time passed. In October 2007 the STA had provided the City a listing of police hold storage claims totaling in excess of \$66,000. Throughout the contract term, the City did not provide any payments against these claims notwithstanding the fact that the City had indicated that an escrow fund would be established. Eventually the STA took the position to take credits against monies owed to the City as a way of obtaining financial relief for these storage charges.

The City Auditor referenced these as “unauthorized” credits in his August 2008 report, however, the underlying unsettled issues which drove these actions unfortunately were not articulated in the Auditor’s report.

Although this issue between the City and the STA was never resolved, this Office did obtain from the City a summary of an internal meeting (June 2008) where the City discussed potential compensation rates for these police hold storage charges. The meeting summary suggested a potential stepped compensation rate. There was also another suggestion to offer a lump sum to clear all discrepancies.

Shortly after the City notified the STA of the contract termination, the STA billed/invoiced the City on October 23, 2008 for the towing and storage fees associated with 197 vehicles identified by the STA as being on police hold. The invoice totaled \$1,281,361.14. This Office does not agree with the position taken by the STA in billing the City for the storage and towing charges related to vehicles on police ordered hold. It is regrettable that the City and the STA could not resolve these problems during the course of the contract. Unfortunately, since the City and the STA were/are paralyzed in their negotiations, the courts will need to determine a fair compensation rate. For comparison purposes, this Office applied the City’s suggested stepped compensation rate from the City’s June 2008 meeting against the STA’s October 2008 invoice. Using this stepped rate, results in a much lower but still significant payment of approximately \$424,000.00 versus the STA billing amount of \$1,281,361.14.

Given the lack of direction in the contract agreement to the contrary, this Office is of the opinion that the STA would have a legitimate claim for Storage Fees at \$20.00 per day on all vehicles including those on police ordered hold. Since the City did not insulate the vehicle owners from these charges through exception language in the contract or through an assumption of liability by the City, it is our opinion that the owners would be liable for these storage fees assessed by the STA as part of regaining possession of their vehicles. It is also our opinion that now with the termination of the contract; the City has the added responsibility for ensuring that all storage fees accruing to the STA up

through October 31, 2008 are collected for the STA's benefit prior to the release of any vehicle in storage.

Before entering into a towing and storage services contract with a new towing and storage contractor, the City should ensure that this issue is properly articulated and defined.

Comparison of OIG Financial Findings to the City's Claims:

The City Auditor's report highlighted that as of July 31, 2008 there potentially was an additional \$128,558.75 in towing fee revenue owed to the City by the STA. This Office independently determined that in fact there was a towing fee revenue shortfall to the City and calculated this underpayment at \$92,933.25 or \$35,625.50 less than what was calculated by the City. However this still represents a substantial shortfall in revenue to the City. These findings are summarized in the table below:

	City	OIG	Difference
Towing Fees from 5/1/07 – 7/31/08	\$437,949.25	\$402,323.75	\$35,625.50
Payments to City from 5/1/07 – 7/31/08	\$309,390.50	\$309,390.50	\$0.00
Towing Fees Owed at 7/31/08	\$128,558.75	\$92,933.25	\$35,625.50

There are several reconciling items between the OIG and the City. The primary reason for these discrepancies is that certain information such as the vehicles in ending inventory, the vehicles scrapped, and the vehicles sold by the STA was not available to the City at the time the City Auditor released his report. The financial impact of each reconciling item is summarized and reflected below:

Ending Inventory (7/31/08) 448 Vehicles at \$49.75/Vehicle	\$22,288.00
Scrapped/Salvaged 531 Vehicles at \$19.75/Vehicle	\$10,487.25
Delivered to Police Department 42 Vehicles at \$49.75/vehicle	\$2,089.50
Difference of Total Vehicles Towed 15 vehicles at \$49.75/Vehicle	\$746.25
Two Vehicles Sold with Limitation on Remittance Fee	\$14.50

This Office also recognizes that there was/is a major disagreement between the City and the STA with respect to Storage Fees associated with vehicles under police hold.

This is discussed in more detail in the section above (“Police Holds and Storage Fees”). Since there was no definitive agreement between the parties as to how this issue would be handled, this Office could not fairly and accurately attribute associated financial obligations between the parties. It is unfortunate that although this issue was identified early on in the contract term, the City and the STA could not reach a common agreement. It is also unfortunate and troubling that this highly contentious issue was not called out and discussed in detail in the City Auditor’s report. References were made in the City Auditor’s report to “unauthorized credits” taken by the STA but the underlying reason for these “unilateral” credit actions by the STA were not disclosed. It appears that this issue will need to be resolved through the courts since unfortunately the parties seem incapable of resolving them directly.

This unresolved issue clouds any attempt to definitively ascertain associated financial obligations.

Comparison of OIG Financial Findings to the STA’s Claims:

In addition to validating the City’s financial claims, a key objective for this Office was to authenticate the financial claims/counterclaims made by the STA against the City. The STA submitted several invoices to the City totaling in excess of \$3 million. These billings were for financial claims associated with police ordered towing activities from May 1, 2007 through October 23, 2008. A summary of these claims is reflected below:

Description	\$ Amount
Towing and Storage Charges for 470 Vehicles in Ending Inventory	\$1,610,532.13
Towing and Storage Charges for 197 Vehicles on Police Hold	\$1,281,361.14
FMV Billing for Vehicles not Accounted for by Police Department	\$307,865.28
October 2007 Claims for Police Hold Storage Fees	\$66,885.75
Towing Charges for 72 Vehicles towed from CJ’s Storage Lot	\$4,266.00

With respect to the invoices related to towing and storage charges for vehicles in ending inventory (both police holds and non police holds) this Office recognizes that the STA has a valid potential future claim for the net towing charges (\$59.25/vehicle) and the associated storage charges (\$20.00 per day/vehicle - through October 31, 2008). However, in the opinion of this Office, these claims can only be recognized after the

owners regain possession of their vehicles by paying the associated fees. In situations where the vehicles are not reclaimed by their owners, the STA would have a claim on certain of the proceeds received through alternative means of vehicle disposition, such as through sale/auction or through scrap/salvage. Therefore, at the time the STA invoiced the City for these charges related to vehicles in ending inventory, it is our opinion that the City would not have been responsible for any of these claims.

Subsequent to the termination of the contract, the City assumed primary responsibility for towing and storage operations including custody and disposition of the vehicles in ending inventory as of October 31, 2008. As was previously highlighted, the City released 25 of the vehicles that were towed prior to July 31, 2008 and that were still in ending inventory on October 31, 2008. This Office determined that as much as \$167,140.00 in associated Towing and Storage Fees (through October 31, 2008) for these 25 vehicles should accrue to and may now be claimed by the STA. As the City releases or disposes additional vehicles that were previously towed by the STA, incremental revenue claims may then be realized.

During the contract term, the City requested that the STA deliver certain towed vehicles directly to police headquarters. In September 2008 the STA provided a listing to the City of 45 vehicles towed directly to police headquarters. Included with the listing was a determination made by the STA of the fair market value of these vehicles. The fair market value totaled \$307,865.28 and was the basis for a billing from the STA to the City. The STA, as a bailee of these towed vehicles took the position to bill the City for the fair market value of the vehicles since at that time, the STA did not have an accounting from the City regarding the status of the vehicles. As a towing/storage bailee, the STA could potentially be responsible for damages/losses that might happen to these vehicles until they are returned to their owners. The City, after receiving the schedule/invoice provided a status update for these vehicles to the STA. Although there was not a detailed accounting for all the vehicles, most of them were identified as being returned to their owners. As was previously highlighted this Office understands the concerns that prompted the STA to bill the City for the fair market value of these vehicles. However, given the update provided by the City, most of these financial

concerns have been addressed. In our opinion a simpler and more productive approach than billing the City for any unresolved fair market value issues would be for the City to provide protection to the STA through a waiver agreement whereby the City would assume liability for any potential future actions brought by any of these vehicle owners.

In October 2007 the STA provided a listing of 18 vehicles identified on police hold with associated storage fee claims approximating \$67,000.00. The City had requested that the STA release several of these vehicles to their owners and the City also indicated that \$20,000.00 would be placed in escrow until the outstanding issue of storage charges on police hold vehicles was resolved. In October of 2009 representatives from this Office met with representatives from the STA and the City at the Chandler Street lot in order to obtain supporting documentation for recognizing the validity of the claims for storage fees made by the STA to the City. The representatives from the STA found and provided this Office and the City with documents they felt were responsive in supporting their claims. Subsequent to this visit, these documents were reviewed and this Office determined that the documentation provided was not sufficient to independently demonstrate that each one of these vehicles was released to their owners and that the City had agreed to each transaction and the associated financial liability.

As was previously noted, since there was no definitive agreement between the City and the STA regarding how this issue of Storage Fees would be handled, this Office could not fairly and accurately attribute associated financial obligations between the two parties. This unresolved issue hinders any attempt to accurately assess financial obligations between the parties. Apparently the courts will need to resolve this issue.

Early in the contract term, the City requested that the STA tow 72 vehicles from the lot of the previous towing contractor at 350 Pasco Road to the STA storage lot at 29 Chandler Street. Although there were discussions between the City and the STA as to the appropriate billing amount for these services, there was never a formal agreement reached between the parties. Without a mutual agreement in place, the STA unilaterally took the position to bill the City for the net towing fee (\$59.25) for each of the vehicles towed.

On the surface this billing for the net towing charge appears to be a reasonable accommodation. However, based on input received from the STA, this Office understands that these vehicles would be handled in a similar manner as any of the other vehicles towed by the STA. That is to say that the associated towing and storage charges would be billed to the owners as these vehicles are reclaimed by their owners. Since the towing fees for these vehicles are dealt with on a basis consistent with all the other vehicles towed, it is the opinion of this Office that the City would only incur a liability to the STA once the towing charges are either collected from the owners or the vehicles are disposed of by the City through other means.

Comparison of Towing/Storage Contracts:

The August 2007 IFB for Towing and Storage Services provided a summary of the then existing contract situation and an estimate of the annual number of tows in the City. CJ's Towing Unlimited (CJ's) had been providing towing and storage services for police ordered tows in the City since Fiscal Year 2001. At the time of the IFB the contract with CJ's required that all tows ordered by the Police Department be towed to the towing and storage facility operated by the City's Public Works Department from 7 AM to 11 PM. All vehicles towed from 11 PM until 7 AM were towed to the lot operated by CJ's, when the towing and storage facility operated by the City (29 Chandler Street) was closed. The City was entitled to a \$30.00 Administrative Fee for every vehicle towed at the direction of the Police Department. The City, in the August 2007 IFB, also provided guidance to the prospective bidders by estimating the annual number of tows to be approximately 10,500.

The new contract in 2007 between the City and the STA provided increased towing revenue opportunities to the City. In addition to the \$30.00 Administrative Fee the new contract also provided for a Remittance Fee to the City of \$19.75 (25% of the \$79.00 Towing Fee) per vehicle upon the disposition of each vehicle other than for those vehicles that were scrapped/salvaged. The new contract also afforded the City with the fresh opportunity for receiving rental revenue (\$2,050.00 per month) associated with the leasing of the Chandler Street storage facility to the STA.

During the first fifteen (15) months (May 1, 2007 through July 31, 2008; the period covered in the City Auditor's review) of the new contract the actual revenue generating police ordered tows totaled 8,788 vehicles or only 67% (8,788 divided by 13,125) of the tow quantities estimated by the City for inclusion in the IFB. After adjusting for vehicles in ending inventory and those delivered directly to police headquarters; the City under the old contract, would have been entitled (as of July 31, 2008) to an associated towing revenue of \$248,940.00 ($\$30.00/\text{vehicle} \times (8,788 \text{ vehicles} - 448 \text{ vehicles in ending inventory} - 42 \text{ vehicles towed directly to police headquarters})$). However, under the new contract, the City as of July 31, 2008 had earned total towing revenue (Administrative and Remittance Fees) of \$402,323.75 of which \$309,390.50 had already been collected by the City.

The new contract, negotiated by the City and the STA in 2007 has presented the City with incremental towing fee revenue opportunities when compared to the prior contract. As of July 31, 2008 the City has earned an incremental \$153,383.75 ($\$402,323.75 - \$248,940.00$) or an increase of 62% when compared to the terms of the old contract. Although the City has earned this revenue, the STA as of July 31, 2008 had remitted to the City only \$309,390.50 of this tow revenue and according to this Office's calculations still owed the City the remaining \$92,933.25.

During the new contract term, the City leased its storage yard facility at 29 Chandler Street to the STA. The City received a monthly rental of \$2,050.00 or a total of \$30,750.00 from May 1, 2007 through July 31, 2008. This rental income was all incremental revenue to the City.

As the City now moves forward with a new contract there are additional opportunities available that should be carefully considered. As mentioned above, only approximately two thirds of the estimated tow volumes (10,500 per year or 13,125 for the 15 month period reviewed) were actually realized by the City through the contract with the STA. It is the understanding of this Office that a portion of the towing activities initiated in the City are conducted and dispatched through the State Police. It is also our understanding that these State Police ordered tows were dispatched to and performed by the prior

contractor as opposed to the STA. Each of these tows represents potential incremental revenue to the City if they are included in the City's overall contract. The City, in addition to considering increased tow volumes, Administrative Fees and Remittance Fees, should also consider requiring a portion of the Storage Fees to be remitted to the City as well.

Conclusion

In our opinion the City was within its contractual rights to terminate the towing contract with the STA. This decision however carries with it substantial negative financial impacts to both the City and the STA. The biggest problem this Office has observed through this review is the apparent inability of the two parties to resolve differences in a timely and cooperative manner. Major issues relating to storage fees on police hold vehicles were identified early in the contract term, but were never mutually settled or decided. The same is true of concerns raised between the parties for the towing of vehicles from the previous contractor's lot to the STA storage lot. The report issued by the City Auditor and the City's subsequent demand letter, termination notice and STA's counter claims exemplify a dysfunctional relationship. It is unfortunate that the City and the STA were unable to work in a cooperative manner to resolve their differences prior to terminating the contract.

The City Auditor's report identified that as of July 31, 2008 a total of \$128,558.75 in towing fees were owed by the STA to the City. This determination was based on applying the maximum contractual towing fees against every police ordered tow from May 1, 2007 through July 31, 2008. The City used the most aggressive fee methodology since they had determined that adequate supporting documentation had not been provided by the STA. This Office, based on an independent review concludes that there was in fact a significant shortfall (as of July 31, 2008) in towing fee revenues due to the City from the STA. Although this Office recognizes the deficiency with the STA's supporting documentation, we attempted to ascertain a reasonable categorization of the vehicles towed. Based on our review and vehicle categorization we determined that as of July 31, 2008 there was an unpaid balance of approximately \$90,444.75 in towing fees (Administrative and Remittance) owed by the STA to the City versus the \$128,558.75 advocated by the City. This Office further determined that based on the contract payment terms, only approximately \$63,000.00 of the \$90,444.75 unpaid balance would have been owed to the City as of the July 31, 2008 cut-off date.

Although this Office understands the City's frustration in obtaining adequate supporting documentation from the STA, this Office nonetheless concludes that the methodology utilized by the City Auditor in determining amounts owed by the STA to the City is overly simplistic and not realistic. The City Auditor's report did not provide any estimates for vehicles in different categories such as those vehicles in ending inventory or those vehicles that had been scrapped.

It is disappointing that the City, as part of its compliance review, did not perform an ending physical inventory, especially since the City used the City Auditor's findings that reflected no ending inventory, to make payment demand on the STA. In the opinion of this Office, notwithstanding the documentation deficiencies, a zero ending inventory position is not a reasonable assumption especially when used for billing purposes.

The STA provided to both the City and to this Office a listing reflecting the vehicles that purportedly had been scrapped. The listing in addition to identifying the sales amount for each vehicle also highlighted the party that purchased the vehicle. Although this Office did not independently verify the individual scrap transactions, there was enough information provided that the transactions could have been independently confirmed. This Office accepted these representations of 531 scrapped vehicles as a reasonable if not conservative assertion of this type of activity (the City had provided an estimate in the IFB of annual scrap activity at 1,500 vehicles).

Even more disturbing than the overly simplistic/conservative methodology used by the City Auditor in determining amounts owed to the City is the failure on the part of the City Auditor to adequately disclose in his report the long standing controversy over storage fees for vehicles on police hold. The City Auditor, in arriving at his determination of towing fees owed by the STA wrote as follows: "In addition, STA has taken unauthorized credits on six different occasions amounting to \$48,063.25 bringing the total amount owed to \$128,558.75." The City Auditor indicated in his report that the STA began taking these unauthorized credits as early as May 2007 and that in July/August of 2008 the City demanded payment for all previous credits taken without authorization. Aside from incorporating a partial statement from a response received from the STA

that suggested that the credits were a way for the STA to balance accounts receivable against accounts payable there was no further commentary regarding the long standing storage fee dispute. It was this storage fee dispute that was the catalyst for the credits taken by the STA. Although the City Auditor referenced these “unauthorized” credits the underlying unsettled issues that drove these actions unfortunately were not articulated in his report.

Since a formal agreement regarding storage fees for police hold vehicles was never reached between the parties, this Office did not independently compute any associated financial benefits or obligations between the parties. The issue however is of such significant importance that it demands full disclosure. Although we have not computed any financial impacts, it is the opinion of this Office that the STA although not authorized to do so under any of the contract terms exercised reasonable business judgment in attempting to protect their perceived financial interests in a contentious, long running, and unresolved dispute. It now appears as though the courts will need to resolve this issue, and as such this Office will not opine on the issue by ascribing merit to either party’s position. We do however acknowledge and articulate the position of the STA in this previously undisclosed issue and we also recognize, but do not necessarily agree with their complimentary belief that the STA, due to these unresolved storage fees, did not owe the City as of July 31, 2008 the towing fee amounts as determined and reflected in the City Auditor’s report.

The City Auditor’s report also failed to disclose other relevant ongoing disputes between the parties that in our opinion results in an incomplete assessment. There was no disclosure or breakout of the 45 vehicles that had been towed by the STA directly to police headquarters. Although most of these vehicles had been released by the police department directly to their owners the City Auditor had assessed towing fee revenue against the STA for these vehicles. In the opinion of this Office, the STA would not owe any Administration or Remittance Fees for these vehicles but would rather have a claim against the City for the net towing fee for each of these vehicles. In addition, the controversy regarding the appropriate billing rate for the vehicles towed by the STA at

the City's request from the previous contractor's facility to the STA storage lot was not mentioned in the City Auditor's report.

Once the contract was terminated, the City became responsible for the towing and storage operations and the custody and disposition of the vehicles in ending inventory. Through this assumption of responsibilities the City has lost a rental income revenue stream associated with the lease of the Chandler Street lot. It is also our understanding that during this interim period, the City has lost the Remittance Fee revenue opportunity of \$19.75 per towed vehicle. As reflected above, there was an unpaid revenue liability of \$90,444.75 (as of July 31, 2008) owed to the City by the STA. However with the termination of the contract and the City's assumption of the responsibility for collecting the outstanding towing and storage fees, the duties and liabilities have shifted and the City now potentially owes the STA (as of July 9, 2009) as much as \$167,140.00 for Towing and Storage Fees associated with the vehicles towed by the STA before July 31, 2008 that were subsequently released by the City to their owners. Until the City disposes all the remaining vehicles towed by the STA, the City's liability to the STA will only increase over time.

In order to properly account for all the potential cross claims between the City and the STA, the towing activities for the final three months of the contract (August 1, 2008 through October 31, 2008) need to be incorporated and reconciled between the two parties. There would be Administrative and Remittance Fee revenue owed by the STA to the City for those vehicles towed and dispositioned during this time period. The City would owe the net Towing Fee and the associated Storage Fees (up through October 31, 2008) for those vehicles towed during this timeframe but still in ending inventory as of October 31, 2008 but subsequently released or dispositioned by the City.

Recommendations

In resolving the outstanding financial issues and obligations between the City and the STA, the revenue/tow analysis needs to be extended to cover the full contract term. The tow activity for the three months from August 1, 2008 through October 31, 2008 needs to be reconciled and incorporated with the data available for the period from May 1, 2007 through July 31, 2008. The associated Administrative Fees, Remittance Fees and Lease Payments owed to the City by the STA need to be determined. Associated Storage Fees and Net Towing Fees owed to the STA by the City, for vehicles towed during this three month period and released by the City after October 31, 2008 need to be computed. A plan needs to be developed to address a timely disposition of all the remaining vehicles towed by the STA under contract with the City that are still in storage. This plan should address how any associated revenue will be shared between the City and the STA (and other lien holders).

As the City moves forward with a new vendor to provide vehicle towing and storage services, consideration should be given to the issues and opportunities reflected below:

The new contract should clearly articulate in detail and with specificity the required forms and reports (including but not limited to; Tow Forms, Vehicle Status Reports, Vehicle Inventory Reports, Auctioned Vehicles Reports, Salvaged/Scrapped Vehicles Reports, Final Bills, Abandoned Vehicles Reports) to be submitted by the contractor to the City. Exhibits that delineate the format of these required documents should be included in the contract and a definition or specification for each of the required data elements should also be incorporated. The contract should articulate the scheduled submission dates for each of these forms/reports.

The City should monitor compliance with the contract terms on a current/proactive basis. Concerns should be identified and addressed early in the process thus limiting the potential for bigger unanticipated problems. The City should institute a requirement for a periodic (at least semi-annual) physical inventory of all vehicles in storage to be conducted by the City with the support of the contractor. A monthly reconciliation

process for all police ordered tows should be implemented between the City and the new contractor.

The contract should include a mechanism that will ensure that problems between the City and the new contractor are addressed and resolved on a timely basis. Consideration should be given to required mediation and/or arbitration that will ensure timely resolution of unanticipated conflicts/issues.

The City should consider establishing a minimum baseline for Administrative Fees, Remittance Fees and Storage Fees to be remitted to the City by the new contractor for each vehicle towed/stored. Consideration should be given to a minimum requirement of a \$30.00 Administrative Fee and a \$19.75 Remittance Fee as was previously obtained through the contract with the STA. This will ensure that clear financial expectations are established and indicate the City's intent to at least generate minimally the same revenue as received under the most recent contract.

The contract should clearly articulate the terms and conditions for the daily storage charges associated with vehicles under police hold. The allowable daily storage charges and the party responsible for paying these charges should clearly be identified and a mechanism for timely payments should be incorporated in the agreement.

The City should also work with the State Police to determine the feasibility of implementing an integrated towing and storage service solution for the entire City and one that could provide an additional revenue source for the City.