

City of Detroit

OFFICE OF THE AUDITOR GENERAL



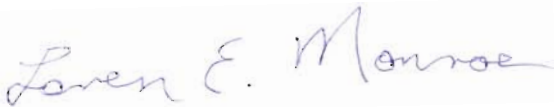
**Audit of the
City of Detroit Towing Processes
April 2008 – June 2010**



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AUDITOR GENERAL

MEMORANDUM

DATE: March 7, 2011
TO: Honorable City Council
FROM: Loren E. Monroe, CPA 
Auditor General
RE: Audit of the City of Detroit Towing Processes
CC: Mayor Dave Bing
Norman L. White, Chief Financial Officer
Ralph L. Godbee Jr., Chief of Police

Attached for your review is our report on the audit of the City of Detroit Towing Processes. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit findings and recommendations; and the responses from the Detroit Police Department (DPD), the Towing Rate Commission (TRC), the Board of Police Commissioners, and the Finance Department.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with DPD. Responsibility for monitoring the implementation of recommendations is set forth in Section 4-205 of the City Charter which states in part:

Recommendations that are not put into effect by the department shall be reviewed by the Finance Director who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

We would like to thank the employees of the Detroit Police Department for their cooperation and assistance extended to us during this audit.

Copies of all of the Office of the Auditor General reports can be found on our website at www.detroitmi.gov/CityCouncil/LegislativeAgencies/AuditorGeneral/tabid/2517/Default.aspx.

Audit of the City of Detroit Towing Processes

April 2008 – June 2010

Contents

	<u>Page</u>
AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS	1
BACKGROUND	3
STATUS OF PRIOR AUDIT FINDINGS	8
NOTEWORTHY ACCOMPLISHMENT	10
AUDIT FINDINGS AND RECOMMENDATIONS	
1. The Detroit Police Department (DPD) Contract Management Is Inadequate	11
2. DPD Contract Oversight Is Inadequate	12
3. The Towing Contract Extension Did Not Follow the City's Purchasing Ordinance	14
4. Inadequate Control Over Payments to Towing Companies	15
5. Towing Invoices Are Not Processed Timely	17
6. Incomplete Impound Card Records Affects DPD's Ability to Assign Accountability for Vehicle Damage	18
7. The Abandoned Vehicles Not Auctioned Promptly Yield Little City Revenues	19
8. Copy of the Bill of Sale Not Retained by the Auction Detail Unit	21
9. The DPD Was Not In Compliance With Applicable City Code	22
10. Lack of Fair and Equitable Distribution Amongst Towing Assignments	23

11. Towing Companies Are Not In Compliance With
Applicable Contract / City Code / Zoning Requirements 25

12. DPD Does Not Require Unclaimed Vehicle Reports
Monthly 27

FINDINGS RELATED TO OTHER AGENCIES

1. The Towing Rate Commission Has Failed to Meet Its
Responsibilities 28

2. The Board of Police Commissioners Did Not Adhere to
City Code Requirements 30

GLOSSARY 31

AGENCY RESPONSES

Detroit Police Department

ATTACHMENT A

Board of Police Commissioners

ATTACHMENT B

AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

AUDIT PURPOSE

The audit of the City of Detroit Towing Processes was performed in accordance with the Office of the Auditor General's (OAG) charter mandate to investigate the administration and operation of City agencies at least once every two years and report findings and recommendations to the City Council and the Mayor.

AUDIT SCOPE

The scope of this audit included an overview of the various towing processes used by the City of Detroit with a concentration on the operation and performance of the police authorized towing process for the period April 2008 through June 2010.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the OAG within the last three years.

AUDIT OBJECTIVES

The overall audit objectives were:

- To assess the effectiveness and efficiency of the City's various towing programs including police authorized towing;
- To determine if the terms of the City's contracts with private towing companies are adequate to ensure maximum efficiency and effectiveness;
- To determine if the terms of the City's towing contracts are being enforced;
- To determine if the various towing processes are in compliance with State law and city ordinances;
- To review the effectiveness of the Towing Rate Commission;
- To determine the status of applicable prior audit findings.

AUDIT METHODOLOGY

To accomplish our audit objectives, our audit work included:

- A review of prior audit reports.
- A review of prior audit workpapers, City Charter, Municipal Manual, Detroit Resource Management System reports, budget reports, the Comprehensive Annual Financial Report, Detroit City Code, the Michigan Vehicle Code, policies and procedures, and organization charts.
- Developing questions regarding transactions, controls, functions, records, and personnel.
- Interviewing DPD personnel.
- Documenting and testing processes.

- Preparing a risk assessment to determine high-risk areas.

CONCLUSIONS

As a result of our audit we have concluded that:

- The police authorized towing process is not efficient and needs improvement.
- The terms of the City's contracts with private towing companies involved in police authorized towing are not adequate to ensure maximum efficiency and effectiveness.
- The terms of the City's towing contracts for police authorized towing are not fully enforced.
- The police authorized towing process is not in compliance with applicable City Code requirements.
- The Towing Rate Commission has not been effective.
- The prior audit findings have been partially resolved as discussed on pages 8 and 9 of this report.

BACKGROUND

The City of Detroit has three different towing processes: the towing of City-owned vehicles, the towing of vehicles booted by the Municipal Parking Department (MPD) and towing authorized by the Detroit Police Department (DPD).

The General Services Department (GSD) is responsible for towing City-owned vehicles that become disabled or involved in accidents. Normally, GSD employees using GSD equipment provide this towing service. There are, however, exceptions which include three main categories: (1) the Detroit Department of Transportation has its own towing equipment which is used to tow disabled buses; (2) private towing companies are used when specialized towing equipment is needed for large and heavy vehicles such as fire trucks; and (3) private towing companies may be used if GSD employees are not available or if the vehicle is not within the Detroit metropolitan area; for example, if the vehicle had been used to attend a meeting in Lansing. The use of private towing companies to provide towing services to city-owned vehicles is extremely limited. Consequently, this audit focused on police authorized towing. The towing of vehicles booted by the MPD will be addressed in a separate audit.

The police authorized towing process is performed under the laws of the State of Michigan, City of Detroit Ordinances, DPD policies and procedures, and the terms of the police authorized towing contracts. DPD is responsible for managing the towing process and for ensuring compliance with laws and regulations. Ralph Godbee currently serves as the Chief of the DPD. Warren G. Evans served as Chief of Police from July 2009 to July 2010. James Barron served as Chief of Police from October 2008 to July 2009. Ella Bully-Cummings served as Chief of Police from November 2003 to September 2008.

Description of the Police Authorized Towing Process

DPD authorizes the towing of vehicles for evidence, removal of abandoned vehicles, safeguarding of recovered stolen vehicles, forfeiture of vehicles for offers to engage (soliciting prostitution) and for narcotics violations, parking violations, removal of road hazards, and for other reasons, such as vehicles that represent hazards, arrests for driving under the influence, or when the owner of the vehicle is incapacitated.

The structure of the DPD towing process is decentralized with portions of the process being performed by many different members of the DPD. The following DPD entities are involved in the towing process:

- **The Management Services Bureau (MSB)** – The MSB is responsible for the administration of the towing process including selecting, contracting with, and monitoring towers; complaint resolution; and termination of police authorized towing contracts.
- **Precinct/District Patrol Officers** - Precinct/District Patrol Officers determine the need for impounding vehicles, either from citizen complaints or while patrolling. Officers are required to call the Emergency Communications - Central Dispatch Unit to request and receive towing company services. Officers perform Law Enforcement Information Network (LEIN) system checks to determine whether the vehicles were stolen. When the tower arrives, the officer is required to complete a DPD Form 406, "Impound Card," which includes vehicle identification information and a vehicle condition report. The officer is required to complete two impound cards and have the tower sign both cards acknowledging receipt of the vehicle and the vehicle's condition. One card is given to the tower and the second card is maintained at the police precinct/district. The officer fills out evidence tags for any vehicle or property to be held as evidence.
- **Emergency Communications** – Emergency Communications - Central Dispatch Unit assigns and dispatches police authorized towers using a rotation system to ensure an equitable distribution of towing jobs among the assigned towing companies, and documents the assignments.
- **Abandoned Vehicle Officers** – Abandoned Vehicle Officers are required to complete and submit an Abandoned Vehicle Recapitulation Report to the Emergency Communications - Central Dispatch Unit for the dispatching of the next police authorized tower in the rotation.
- **Telephone Crime Reporting Unit (TCRU)** – The TCRU receives vehicle impound information from precinct/district patrol officers, which includes vehicle identification, the name of the tower, the location where the vehicle was recovered, and the location to which the vehicle was towed. TCRU personnel post data to the LEIN system including entering and canceling stolen vehicle information. The TCRU also notifies the owners of stolen vehicles that their vehicles have been recovered. TCRU personnel also receive and investigate complaints against towers. TCRU personnel have the authority to order police authorized towers to waive towing and storage fees.

- **Auction Detail Unit** - The State of Michigan is responsible for mailing the TR-52 – “Notice of Abandoned Vehicle” to vehicle owners and a copy to the Auction Detail Unit. The Auction Detail Unit officers schedule auctions of abandoned vehicles if the owners have not responded to the notice in twenty days. They convert unclaimed impound vehicles into abandoned vehicles, and run LEIN system checks on the converted vehicles to determine whether they are stolen. Auction Detail Unit officers are responsible for publicizing auctions in the Detroit Legal News, conducting the auction, and processing and depositing the proceeds from the auction. At auction, the TR-52 becomes the “Bill of Sale.” The Auction Detail Unit officers sign the TR-52 – “Bill of Sale” and deliver it to the buyer or to the police authorized tower if the vehicle did not sell at auction.
- **Commercial Auto Theft (CAT)** – The CAT Unit investigates stolen and suspected stolen vehicles. CAT’s responsibilities include checking vehicles at tow yards that are missing vehicle identification number (VIN) plates, and identifying the vehicles.
- **Environmental Officers** – Environmental Officers are responsible for inspecting tow yards for environmental issues and writing tickets for violations. They also are responsible for writing tickets for abandoned vehicles on private property.

Police Authorized Towing Companies

The DPD does not perform any towing itself, but contracts with police authorized towers for its towing needs. There are currently 27 police authorized towers contracted with the City. Police authorized towing applicants are to be investigated by the MSB, including a background check on the owner. Police authorized towing companies are required to be Detroit-based businesses, as determined by payment of City income taxes and property taxes.

The police authorized tow contracts include the following requirements:

- Police authorized towers must respond to the towing site within twenty minutes of the DPD’s call for service.
- Tower must maintain 24-hour service, seven days a week.
- Police authorized towers’ trucks must be clearly marked with the tower’s name, address and phone number.
- Towers are required to have an employee available to release vehicles to owners between 7:00 a.m. and 7:00 p.m. seven days a week.
- Police authorized towers are required to provide storage for a minimum of twenty vehicles at its principal place of business.
- Towers must secure proper zoning approval for their storage lots.
- Towers are required to submit, by the 10th of each month, a complete list of unclaimed vehicles authorized by the DPD to be impounded at their lots.

- Police authorized towers are responsible for damage to and theft of any vehicle and the parts, accessories and equipment attached, installed or affixed, or any contents in the vehicle while in the towers' custody.
- Towers are required to possess insurance to indemnify and hold the City harmless for injury and damages resulting from a police authorized tow or storage.
- Towers must obtain MSB approval to subcontract.
- Towers must notify MSB when more than 40% of the ownership changes and must apply for a new contract.

By signing the towing contract, the police authorized towers covenant that there is no City employee or public official who has any function or responsibility in the review or approval of the undertaking or carrying out of the contract who has any personal or financial interest, direct or indirect in the contract or proceeds of the towing entity.

There are currently between five and seven towers authorized to perform police authorized tows in each district/precinct, as well as designated abandoned vehicle towing assignments.

The current police authorized towers and their assigned precincts/districts are listed below:

8 th Precinct 6 th Precinct	Southwest	10 th Precinct 12 th Precinct	Northeast	Eastern	Central
MARS*	Gene's*	Gilchrist*	LIJBS*	B & G*	Javion & Sam's*
B & T*	B & T*	Troy*	B & G*	Troy*	Bobby's*
DAR*	E & G*	B & T*	7 D's*	Executive	Citywide*
Troy*	Reds*	Tri-County*	Javion & Sam's*	Elite	B & T
Muscat	DAR	ABA	E & G	Nationwide	Executive
V & F	Washington	AC	Wayne's	H & B Land	
J & C		Murff			

* Denotes Abandoned Vehicle Tower

For tows to private storage lots, police authorized towers are compensated for towing impounded or abandoned vehicles when the vehicle owner or insurance company redeems the vehicle. Towers are compensated for their towing and storage fees for unredeemed vehicles from auction proceeds. If a vehicle is not sold at auction, the vehicle is turned over to the tower as compensation for towing and storage fees.

Towing Rate Commission

According to Section 55-15-2 of the Municipal Code, the Towing Rate Commission is comprised of the Auditor General (Chairperson), the Director of Consumer Affairs or a

designated representative, the Chief of Police or a designated representative, a public representative appointed by the Mayor, and a representative of the towing industry appointed by the City Council. The position of Director of Consumer Affairs no longer exists and the responsibilities of the Consumer Affairs Department were assumed by the Senior Citizens Department. The Towing Rate Commission is charged with reviewing towing rates at least once every two years and submitting its recommendation to City Council by October 1st for review. The last change in towing rates was in 1996. The rates apply to tows authorized by the DPD.

Board of Police Commissioners

Section 55-15-8 (a) of the Municipal Code stated that the Board of Police Commissioners shall establish standards, including insurance and bonding requirements that must be met in order for a tower to qualify for police authorized tows. The Board of Police Commissioners shall also promulgate and publish the rules and regulations that it uses to determine which towers shall be called for tows under this chapter. Such rules shall as nearly, as practicable, provide for equitable distribution of police authorized towing to all towers on the list of qualified towers.

Section 55-14-4 (a) of the Municipal Code states that before the owner or person in charge of any impounded vehicle shall be permitted to remove the same from the custody of the police department, he shall furnish evidence of his identity and ownership, he shall sign a receipt and he shall pay a redemption fee in the amount of the towing charge plus an impoundment fee. Such impoundment fee shall be set by the City Council, based on the recommendation of the Board of Police Commissioners reflecting the reasonable cost of receiving, safeguarding and discharging said vehicle. Section 55-14-4 (b) states that, at least every two years, the Board of Police Commissioners shall review and recommend to City Council any adjustment in fees established under this subsection.

Police Authorized Towing Task Force

On January 22, 2009, the Board of Police Commissioners passed a resolution to form a citywide task force on DPD's police authorized towing. The board believed that it was in the best interests of the citizens of Detroit, the towers and the DPD to establish a working group whose mission was to: (1) review the existing police authorized towing process, policies and procedures; (2) review the City's management of such processes, policies and procedures to ensure the equitable and fair distribution of towing assignments; (3) study best practices in municipal towing programs; and (4) render recommendations for modifications or improvements as necessary. The task force members are representatives from the Mayor's Office, the Board of Police Commissioners, the Chief of Police, the Detroit City Council, the OAG, and the Law Department and such others as the Board may deem appropriate.

STATUS OF PRIOR AUDIT FINDINGS

The prior audits of the Detroit Police Department (DPD) Authorized Towing Process for the audit period July 1, 1998 to June 30, 2005, by the Office of the Auditor General, included the findings listed below. Of the 23 applicable prior audit findings listed, eleven findings (48%) were partially or not resolved.

1. Towing Companies with Commingled Assets, Owners, and Management are Treated as Separate Companies for Towing Assignments (December 2003)
This finding has not been resolved, and is discussed in Finding 10 on page 23 of this report.
2. The Management Services Bureau Has Been Willing to Accept DPD's Procedural and Towing Companies' Contractual Abuses (December 2003)
This finding has not been resolved, and is discussed in Finding 6 on page 18 of this report.
3. Most Precincts Are Not Distributing Towing Requests Equitably Among the Five Assigned Towing Companies (December 2003)
This finding has been resolved.
4. Precinct Officers Are Not Always Reporting Towed Vehicles to the Telephone Crime Reporting Unit as Required (December 2003)
This finding has been resolved.
5. Incomplete Impound Cards Affect DPD's Ability to Assign Accountability for Vehicle Damage (December 2003)
This finding has not been resolved, and is discussed in Finding 6 on page 18 of this report.
6. Record of Precinct-authorized Towing Assignments is Deficient (December 2003)
This finding has been resolved.
7. Payment of Precinct-ordered Towing Assignments Made Without Supporting Authorization (December 2003)
This finding has not been resolved, and is discussed in Finding 4 on page 15 of this report.
8. The DPD Does Not Process the City's Abandoned Vehicles in an Effective Manner (December 2003)
This finding has been resolved.
9. There is Not Always a Reliable Record of the Vehicles Condition When the Abandoned Vehicle is Towed (December 2003)
This finding has been resolved.
10. Recovered Stolen Vehicles Are Routinely Towed by the Abandoned Vehicle Towing Companies (December 2003)
This finding has been resolved.

11. Abandoned Vehicle Auctions Yield Little City Revenues (December 2003)
This finding has not been resolved, and is discussed in Finding 7 on page 19 of this report.
12. Abandoned Vehicles Are Not Auctioned Properly (December 2003)
This finding has not been resolved, and is discussed in Finding 7 on page 19 of this report.
13. Overstated Towing and Storage Fees Are Not Detected (December 2003)
This finding has been resolved.
14. Bill of Sale by Police Agency Not Always Properly Completed (December 2003)
This finding has not been resolved, and is discussed in Finding 8 on page 21 of this report.
15. No Assurance That Change in Vehicle Ownership Is Recorded (December 2003)
This finding has not been resolved, and is discussed in Finding 8 on page 21 of this report.
16. Contracted Leasehold Improvements Have Not Been Completed (December 2003)
This finding has been partially resolved and has been discussed as a verbal finding.
17. Contracted Operating Services and Maintenance Have Not Been Performed (December 2003)
This finding has been resolved.
18. No Contract Was Awarded for the Management of the Evidence Lot (December 2003)
This finding has been resolved.
19. Some Evidence Vehicles Are Not Towed Directly to the Evidence Lot (December 2003)
This finding has been resolved.
20. Towing Companies' Storage Lots are Not Properly Secured (December 2003)
This finding has been resolved.
21. Towing Companies are Storing Vehicles on the Streets (December 2003)
This finding has been resolved.
22. Towing Companies are Not Open During Required Business Hours (December 2003)
This finding has not been resolved, and is discussed in Finding 11 on page 25 of this report.
23. Towing Companies are Not Reporting Unclaimed Vehicles Monthly (December 2003)
This finding has not been resolved, and is discussed in Finding 12 on page 27 of this report.

NOTEWORTHY ACCOMPLISHMENT

Prior to the implementation of the Emergency Communications – Central Dispatch Unit effective May 17, 2010, DPD was unable to provide complete supporting documentation identifying the number of police authorized tows performed on a monthly basis per district/precinct due to the decentralization of the process. Since the implementation of the Emergency Communications - Central Dispatch Unit, DPD was able to provide documentation identifying the number of tows performed on a monthly basis for each district/precinct in addition to identifying towing companies that were notified for towing services, but were unable to fulfill the request (i.e. tow truck unavailable, no answer by towing company, etc.). The Office of the Auditor General feels that the efforts of the DPD to implement this change in operations have helped mitigate potential liabilities to the City.

AUDIT FINDINGS AND RECOMMENDATIONS

1. The Detroit Police Department (DPD) Contract Management Is Inadequate

DPD currently contracts with 27 police authorized towing companies to provide towing services. Based on our examination of the 27 contracts for police authorized towing services the following conditions were noted:

- Twelve contracts were missing both the required witnesses to the contractor's signature.
- Fourteen contracts were missing one of the required two witnesses to the contractor's signature.
- Four contracts did not have the information required under paragraph 16.01 regarding the address to which notices are to be sent.
- The appropriate supporting documentation was not always used. For example, a partially completed Resolution of Unincorporated Association Authority form was incorrectly used for a corporation. A Sole Proprietor Acknowledgement form was used to support a corporate signature.

The City of Detroit Finance Department, Purchasing Division's Contract Administration Manual states that where appropriate, the procurement documentation files must contain:

- Approvals of contract submittals required by the contract; and
- Vendor's certifications and representations.

Failure to obtain complete contractual agreement documentation can result in significant monetary losses to the City due to the inability to provide comprehensive information in potential litigations.

The initial 2001 and 2002 police authorized towing contracts were completed under a prior DPD administration.

Recommendation

We recommend that DPD adhere to the Finance Department – Purchasing Division's policies and procedures communicated through the Contract Administration Manual.

2. DPD Contract Oversight Is Inadequate

DPD oversight of the police authorized towing contracts has the following deficiencies:

- Zoning permits required to operate the tow yards were not always renewed annually. DPD does not require that copies of the zoning permits be provided and does not maintain copies of current permits.
- Required vendor clearances are not maintained and reviewed by DPD on an annual basis.
- A list of complaints concerning police authorized towers is not maintained.
- Periodic reviews of the performance of the towing contractors are not performed:
 - No verification is done to ensure that tow yards are open during the hours mandated by the ordinance.
 - Periodic inspections of the towing contractors equipment, tow yards and storage facilities are not routinely performed.
- Criminal history or background checks are not performed on the owners and employees of towing contractors.

The City of Detroit Finance Department – Purchasing Division’s Contract Administration Manual states that the routine duties of the Contract Administer should:

- Maintain accurate records and ensure that they are always kept up to date from start to finish.
- Keep an activity log of each contract and keep a written track of any performance issues.
- Ensure that the vendor’s performance is monitored on a periodic basis by means of a written report of the status of each contract.

Section 5.03 of the Police Authorized Tower Contracts states that it is understood and agreed that the City will perform a criminal history check on the owner(s) and principal(s) of the Contractor to ensure that none have a criminal conviction involving theft or fraud.

Failure to maintain adequate contract oversight of towing contracts can allow for contractual abuses by towing vendors. These contractual abuses can result in financial losses to the City due to litigation and claims.

Failure to maintain adequate oversight of towing contracts can allow for inefficient and ineffective services. Failure to provide adequate City authorized services can reflect negatively of the City.

DPD personnel provided the following explanations for the conditions cited above:

- DPD lacks sufficient staff to monitor that zoning permits are renewed and submitted. Zoning classifications generally do not change.

- Vendor clearances are not updated because DPD lacks sufficient staff to periodically update clearances.
- Complaints are handled immediately eliminating the need for a list of complaints.
- Performance reviews of the towing contractors are not performed due to a lack of staff.
- Periodic inspection of towing contractor's equipments, tow yards and storage facilities are not performed due to a lack of staff.

Recommendations

We recommend that DPD:

- Prioritize contractual obligations to ensure that all required zoning permits are renewed and are submitted on an annual basis.
- Ensure that all vendor clearances are up-to-date and are not expired.
- Maintain a record of complaints received.
- Perform a periodic performance review of the police authorized towing companies.
- Perform an annual criminal background check of the owners and employees of the towing contractors.

3. The Towing Contract Extensions Did Not Follow the City's Purchasing Ordinance

The original towing contracts, which were awarded in November 2001 and January 2002, did not comply with the requirements of the City's Purchasing Ordinance and were not approved by City Council, which was noted in the report of the Office of the Auditor General's audit of the DPD's Administration of the Police Authorized Towing Process that was issued September 2004. DPD concurred with the audit report finding and indicated that all future towing contracts would comply with the City's purchasing ordinance and would be approved by the City Council. In January 2005, DPD extended 27 towing contracts from January 31, 2005 until September 30, 2005. The contract extensions were not submitted to City Council for approval. In August 2005, DPD extended six of the contracts for one year without City Council approval. Currently, the contract extensions, which lack City Council approval, are being utilized on a month-to-month basis.

The Management Services Bureau of DPD requested that the Purchasing Director approve the contract extensions and attached letters signed by the towing companies requesting an extension. None of the letters identified the contracts involved by citing a contract number but referred to only as "my existing contract." The letter did not have a signature or acknowledgement of any DPD official. There is no evidence that the Purchasing Director agreed to or acknowledged the request.

The Finance Department – Purchasing Division's Contract Administration Manual states that not less than 90 days prior to the expiration date of all current contract purchase order's, the department is required to submit a Period Agreement Request (PAR) for a renewal. If the contract does not have any renewals remaining, the department shall submit a request for an extension of the current contract until a new contract may be established.

Failure to adhere to the Finance Department – Purchasing Division's contractual extension policies and procedures places undue liability to the City, which can result in potentially increased financial losses to the City.

According to DPD personnel, the contracts were not renewed pending the re-engineering of the towing process. Difficulties arose when a request for proposal (RFP) was issued for a towing management contract that resulted in the cancellation of the RFP.

Recommendation

We recommend that the DPD adhere to the Finance Department – Purchasing Division's requirements for proper policies and procedures for contractual agreement extensions.

4. Inadequate Control Over Payments to Towing Companies

The process used by DPD to pay towing companies lacks sufficient controls to ensure that all payments are legitimate. During the audit period (until May 17, 2010 when the Emergency Communications Division – Central Dispatch Unit began assigning tows) the following inadequacies existed in the process:

- Towing invoices were not crosschecked against the district/precinct logs to verify that the tow was authorized.
- Towing invoices did not always contain sufficient information to determine who authorized the tow and who authorized that the City should pay the towing charges.
- Invoices did not always indicate the starting and terminating location of the tow.
- Invoices were not always date stamped by DPD upon receipt.
- Invoices did not always contain explanations for non-standard charges.

The process for verifying towing invoices changed after May 17, 2010. The towing assignment books are no longer used. The new process requires the towing companies to include the control number assigned by Emergency Communications - Central Dispatch Unit on the invoice. The reviewing officer obtains a copy of the control number logs that would permit verification of some of the details of the tow. If the reviewing officer had suspicions about the invoice, based upon his experience, he could contact Central Dispatch for additional information.

Part of the invoice review process continues to involve the reviewing officer checking the rate charged on the invoice to the authorized rate list. The authorized rate list does not have any rates for the new police districts since the rate were set before some precincts were merged into districts. Consequently the reviewing officer must check the invoice for the originating location of the tow and, using a map, determine which precinct the tow occurred in. Former precincts may now be part of more than one district.

A key control of expenditures is the ability to determine that the expense was properly authorized and for a legitimate purpose. The Central Dispatch Unit log listing the tows authorized permits the cross checking of invoices received to tows authorized. It also permits the referral of any questions regarding the invoices to the person who authorized the tow.

Without the ability to directly cross check invoices to the district/precinct logs, the process to verify each invoice to the tow book was extremely difficult and time consuming. The current system results in the City accepting all invoices by being able to verify whether the tow was authorized or took place based on the Central Dispatch tow log sheets received by the reviewing officer. The lack of adequate information on the invoices precludes a proper review of the charges. Different types of tows have different charges. Without adequate information about the tow, the wrong charge may be paid.

DPD personnel stated that due to the decentralization of the police authorized towing process, reviewing and verifying each invoice received to the district/precinct tow books was difficult.

Recommendation

We recommend that all towing companies be required to provide specific information on invoices submitted for payment. At a minimum, the invoice should specify the authorizing district/precinct, the date of the tow, the type of tow, vehicle identification information, and specific information to support any non-standard charges.

5. Towing Invoices Are Not Processed Timely

DPD Resource Management does not date stamp the invoices as they are received from the towing companies. Invoices are not date stamped until they are forwarded to DPD's Finance Accounting Division.

We reviewed 159 invoices for towing services that were paid by DPD and the following was noted:

- Thirty-two invoices (20%) had not been date stamped in by the DPD.
- Of the 127 invoices that were dated stamped in, 20 (18%) were date stamped in more than twelve months after the invoice date.

Of the 159 invoices reviews for towing services provided, 29 invoices (18%) were paid more than twelve months after the invoice date.

Finance Directive 143 requires that contract officers are to ensure that immediately upon delivery and opening of every invoice that each receives either; (1) a Date/Time Stamp or (2) the Date and Time hand written on the invoice and witnessed by the initials or signature of the contract officer, thus indicating receipt of said invoice.

The intention of the Prompt Payment Ordinance (City Code Sections 18-5-71 through 18-5-80) is to ensure that vendors who supply the City with goods and services are paid promptly, and in accordance with the contractual agreements governing their relationship with the City. Unless otherwise agreed to in a written or purchase order with a vendor, and subject to the provisions of Section 18-5-77 of this Code, the responsible person shall take all necessary steps to ensure that payment for the vendor mail is delivered or delivered to the vendor within 45 business days after the vendor's delivery to the responsible person of an invoice or other written request for payment issued pursuant to the terms of the contract or purchase order.

Late payment of invoices to vendors contributes to the City's reputation that it does not pay vendors on a timely basis, which can discourage vendors from actively seeking to be City vendors.

DPD personnel stated that invoices received are not date stamped because they are processed in a timely fashion when received. DPD personnel stated that a reason for the lag time in the date of the invoice and the date the invoice was paid by the City could be attributed to the towing companies. Towing companies may hold invoices until multiple invoices to be billed to the City are obtained, in which the invoices are then submitted for reimbursement.

Recommendations

We recommend that DPD:

- Ensure that all invoices received are date stamped upon receipt; and
- Comply with applicable Finance Directives and City Ordinances.

6. Incomplete Impound Card Records Affects DPD's Ability to Assign Accountability for Vehicle Damage

We tested impound card records at the Northeastern District, Eastern District, and the 12th Precinct. Based on our examination of 75 impound card records at the preceding locations, 42 records contained the following exceptions:

- Six impound card records did not list a control number.
- Thirty-four impound card records did not list the complete vehicle condition.
- Twenty-one impound card records did not contain the police officers signature.
- One impound card record did not list the date the vehicle was impounded.

Municipal Code Section 55-15-3 (c) states in the case of a vehicle to be towed to a private tower's storage lot, yard or garage under section 55-15-1(4), the tower shall prepare and sign an inventory of the contents and equipment of the vehicle on a multi-copy form approved by the police department. The police officer-in-charge shall sign the completed form as witness to the inventory and the police department shall retain the signed original.

The form DPD 406 is the record that the DPD authorized the towing company to move the vehicle. It indicates vehicle-identifying information, where the vehicle is moved and by which company, as well as the condition of the vehicle at the time the vehicle is ordered to be towed. Inaccurate information on impound cards adversely impacts the ability of the DPD, the towing companies, vehicle owners and insurance companies to hold the appropriate party responsible for damage or missing property from impounded vehicles. Without documentation of the vehicle's condition before it is towed, the approximate time of vehicle damage cannot be established and the responsible party cannot be identified.

Police officers may not complete the form DPD 406 fully because it is time consuming to complete two original forms, they do not realize the importance of completing the form in full, or they are called away to respond to higher priority calls.

Recommendations

We recommend that DPD:

- Reissue form DPD 406 in a multi-copy format so that the patrol officer must complete the form only one time.
- Put procedures in place to document instances of non-compliance with DPD towing procedures and discipline officers for failing to properly complete the standard impound and vehicle condition reports.

7. The Abandoned Vehicles Not Auctioned Promptly Yield Little City Revenues

Based on the review of supporting documentation, the auditors noted that the sale of abandoned vehicles is not always performed promptly. In some cases, records indicated that vehicles taken in to custody by towing companies, but were not placed on the auction block for as many as 9 to 20 months.

For calendar year ended December 31, 2008, the Auction Detail conducted 234 auctions where 8,523 vehicles were auctioned. Of the 8,523 vehicles auctioned, 326 vehicles (3.8%) were sold at auction bringing in proceeds of \$289,696. For calendar year ended December 31, 2009, the Auction Detail conducted 237 auctions with a total of 11,410 vehicles being auctioned. Of the 11,410 vehicles auctioned, 297 vehicles (2.6%) of the vehicles were sold at auction bringing in proceeds of \$341,300. The remaining vehicles that are not sold at auction are turned over to the towers by completing the TR-52 Bill of Sale form in order to satisfy the towing and storage fees.

Section 257.252g (1) (a) of the Michigan Vehicle Code states that the public sale of a vehicle and its contents determined to be abandoned shall be under the control of the police agency. However, a police agency may designate the custodian of the vehicle or a third party to conduct the auction.

Section 257.252g (3) of the Michigan Vehicle Code states that if there are no bidders on the vehicle; the police agency or the custodian of the vehicle may do one of the following:

- (a) Turn the vehicle over to the towing firm or the custodian of the vehicle to satisfy charges against the vehicle.
- (b) Obtain title to the vehicle for the police agency or the unit of government the police agency represents, by doing the following:
 - (i) Paying the towing and storage charges.
 - (ii) Applying for title to the vehicle.
- (c) Hold another public sale under subsection (1).

The delay in processing abandoned vehicles and scheduling auction results in higher than necessary storage fees. As bidding starts at the accumulated towing and storage fees, as a result of these delays, auctioned vehicles may be priced too high to be sold.

DPD stated that the delay in processing abandoned vehicles is due to the lack of sufficient resources needed to process abandoned vehicles. The Auction Detail operates with one sergeant and two full time police officers. The Auction Detail does not have the resources to visit towing companies' storage lots to convert unredeemed impounded vehicles.

Recommendation

We recommend that the DPD request additional staffing levels and/or prioritize auction detail processes in order to undertake efforts to reduce the amount of accumulated towing and storage fees at the time of auction by ensuring vehicles are auctioned as promptly as allowed by State law.

8. Copy of the Bill of Sale Not Retained by the Auction Detail Unit

A complete record of the abandoned vehicle's sale or disposition is not maintained, as a copy of the completed Bill of Sale is not retained by the Auction Detail.

The back of the TR-52 form contains the Bill of Sale By Law Enforcement Agency for Abandoned Vehicles and states that it may be used to apply for a new title in the purchaser's name. There are spaces on the Bill of Sale to record the date the vehicle was sold or released; the name and address of the towing firm, secured party, law enforcement agency, or purchaser if sold at public auction; the purchase price; the odometer reading; the signature and printed name of the police agency representative; and the signature of the purchaser.

The TR-52 form generated by the State of Michigan states "the back of this form may be used as a Bill of Sale following an auction. Please make a copy of this notice for the law enforcement agency's records, if needed."

Standard business practices require that maintaining and creating reliable records is an important control activity. Such records should document the significant details of transactions, including that they were authorized by persons acting within their authority, and should provide evidence that the transaction actually occurred.

Without a complete record documenting who purchased the vehicle, there is a risk that there will be no record of the vehicle ownership change. If the transfer is not registered with the Secretary of State's office by the vehicle purchaser, there will be no way to establish that the vehicle's ownership has changed.

An Auction Detail Unit staff member stated that the DPD is unable to obtain copy of the completed Bill of Sale form because not all towing companies have a copy machine accessible.

Recommendation

We recommend that the Auction Detail document and maintain completed copies of the Bill of Sale when a vehicle is auctioned.

9. The DPD Was Not In Compliance With Applicable City Code

Police officers are not always in attendance at the 6311 Caniff City pound lot from 7:00 a.m. to 10:00 p.m. each day, except Sunday as required. We observed contracted security personnel in attendance at the City pound on Saturdays, in which a police officer is required to be in attendance per the Municipal City Code.

Municipal City Code, Section 55-14-1 states that the chief of police shall designate an officer to remain in attendance at City vehicle pounds, from 7:00 a.m. to 10:00 p.m. each day, except Sunday, for the purpose of receiving, safeguarding and discharging vehicles, and for collecting the fees.

When the City impound is not open during required business hours, vehicles are stored the tower's lot or towed to a location directed by the DPD. This procedure results in additional secondary tows being incurred and paid for by the City.

DPD personnel stated that due to a lack of staff and resources, security personnel were contracted to provide guard services over the City impound lot.

Recommendation

We recommend that a police officer be in attendance at the City impound lot from 7:00 a.m. to 10:00 p.m. each day, except Sunday as required by the City Code or DPD request that the City Code be amended to accommodate staffing levels capabilities.

10. Lack Of Fair And Equitable Distribution Amongst Towing Assignments

DPD towing rotation assignment treats companies with commingled assets, owners and management as separate entities in the award of towing rotation positions. Based on our review of the towing assignment for each DPD precinct/district, the auditors noted the following:

- A married couple with separate towing companies has the majority interest in three of the five towing companies in the Central District. The same owners have a majority interest in three of the six towing companies in the Northeast District, three of the six companies in the Southwest District, four of the six companies in the Eastern District, and two of the seven companies located in the 10th and 12th Precincts.
- Of the seven towing companies in the 6th and 8th Precincts, six of the towing companies are owned by owners who have a majority interest in multiple companies.

Below is a breakdown of the towing rotation schedule.

Central	Northeast	Southwest	Eastern	10 th and 12 th Precinct	6 th and 8 th Precinct
Javion*	LIJBS*	Gene's*	B & G*	Gilchrist*	MARS*
Bobby's*	B & G*	B & T*	Troy*	Troy*	Detroit Auto*
Citywide*	7 D's*	E & G*	Executive	B & T*	Troy*
B & T	Javion*	Reds*	Elite	Tri-County*	Muscat
Executive	E & G	Detroit Auto	Nationwide	ABA	V & F
	Wayne's	Washington	H & B Land	AC	J&C
				Murff	

* Denotes Abandoned Vehicle Tower

Section 55-15-8 (a) of the Municipal Code states:

- The Board of Police Commissioners shall also promulgate and publish the rules and regulations that it uses to determine which towers shall be called for tows under this chapter. Such rules shall as nearly as practicable, provide for equitable distribution of police authorized towing to all towers on the list of qualified towers.

Utilizing multiple companies with commingled assets, owners and management gives an appearance of impropriety in the awarding of the precinct/district towing assignments. This non-equitable distribution of the City's police authorized towing places an economic hardship on smaller towing companies due to a reduction in towing opportunities.

DPD personnel stated that a process to re-engineer the police authorized towing process, which included verbiage for the fair and equitable distribution of towing assignments, was rescinded.

Recommendation

We recommend that the DPD implement an equitable distribution rotation among the various police authorized towing companies.

11. Towing Companies Are Not In Compliance With Applicable Contract / City Code / Zoning Requirements

We tested fourteen (53.8%) of the current 26 operating towing companies for compliance with applicable contract, city code, and zoning requirements. Based on our review, we noted the following:

- Eleven tow companies (78.6%) did not have signage indicating the City Council's approved rates to be charged.
- Seven tow companies (50%) did not have all the proper signage requirements displayed including: name, address, phone number and hours of operation.
- Twelve tow companies (85.7%) did not have a six (6) ft. masonry wall.
- Fourteen tow companies (100%) did not have paved driveways and storage areas.

Section 55-15-2 (b) of City Ordinance 594-H states that the tower shall provide the vehicle owner or driver with a copy of the towing rate schedule approved by City Council.

Section 55-15-6 (b) of City Ordinance 594-H states that any place where wrecked or disabled vehicles are stored shall post the name, address and phone number of the operator of the place and the hours for which the place is open for business.

DPD police authorized tower contracts stipulate that the contractor shall comply with and shall require its associates to comply with all applicable federal, state and local laws.

Section 61-12-273 of the Detroit Zoning Ordinance states towing service storage yards shall be subject to the following provisions:

- A masonry wall, that is not less than six (6) feet in height, shall be erected between any storage and the twenty (20) foot setback area; and
- All driveways, vehicle storage areas, and loading and unloading areas within any towing service storage yard shall be paved so as to limit the nuisance caused by wind-borne dust on adjoining lots and public roads.

Failure of police authorized towing contractors to adhere to applicable contractual, city code and zoning requirements allows for inadequate services to be provided to City residents without consequence. Failure of the towers to adhere to compliance requirements can give the perception that the City does not enforce agreed upon contractual requirements.

DPD stated that due to a lack of staff and resources, issues with enforcement of contractual requirements continue to exist in the police authorized towing process.

Recommendation

We recommend that DPD request additional staffing levels and/or prioritize towing company compliance monitoring in order to perform and document annual inspections of police authorized tow yards to verify compliance with contractual, city code and zoning requirements.

12. DPD Does Not Require Unclaimed Vehicle Reports Monthly

Seven of the 27 police authorized towing companies (26%) did not submit the required monthly listing of vehicles report to the DPD. The required monthly listing of vehicles report is used by the DPD to monitor vehicle inventory at the towing lots.

The police authorized towing contract, Exhibit A (Scope of Services), paragraph II, states the contractor shall submit, by the 10th of the month a complete list of all police authorized tows to their lots that have not been claimed (including vehicles from previous lists). The list shall indicate which vehicles have been in possession of the contractor for 30 or more days and shall be submitted to the Support Services Division in Room 802 (currently Resource Management Division located in Room 218) of Police Headquarters.

The absence of reports of vehicles remaining on the tower's storage lots allows towing companies to be unaccountable for the vehicles towed and still in their possession. Vehicles can be forgotten and accumulate storage fees, or vehicles can go missing. Moreover, it is indicative of the lack of accountability of MSB.

DPD personnel stated that due to the lack of resources and staff, the task of monitoring the submission of the monthly unclaimed vehicles report to the DPD by each towing company would be extremely tedious and time consuming.

Recommendations

We recommend that DPD:

- Require the towing companies to complete the unclaimed vehicle reports and submit them by the 10th of the month.
- Follow-up on reported unclaimed vehicles to ensure they are expeditiously processed.

FINDINGS RELATED TO OTHER AGENCIES

1. The Towing Rate Commission Has Failed to Meet Its Responsibilities

The Towing Rate Commission (TRC) was established under Article XV, Section 55-15-2 of the Detroit City Code. The police authorized towing rates were last adjusted in 1996. On October 8, 2003, the chairman of the TRC submitted to City Council, a proposed resolution to adjust the police authorized towing rates. There is no record of City Council taking any action on the resolution.

Article XV (Police Authorized Towing), Section 55-15-2 of the Detroit City Code charges the TRC with the duty of reviewing the towing rates at least once very two years and submitting its recommendation to City Council by October 1st of the year of review.

Section 55-15-5 (a) authorizes City Council to set, by resolution, flat rate hookup fees, mileage fees, storage fees, maximum fees for dolly tow, standard rate for police authorized towing to the city auto pound(s) in lieu of normal rates, excess time spent charges, separate fees for accident and non-accident tows, "dry run" tows, and other necessary service fees.

Not updating the rates that can be charged for police-authorized tows for fourteen years is unfair to the companies providing the towing services as their costs of providing the towing services have obviously increased during the period.

In 2005, DPD switched from a precinct to a district organization. Consequently, the 1997 rates that were set by precinct are no longer directly applicable. DPD personnel must now review individual towing invoices by district to determine which precinct the tow would have taken originated. This is time consuming and inefficient since some districts are comprised of parts of three or four former precincts.

The TRC has been unable to meet because three of the five members of the TRC have not been designated: the towing industry representative appointed by City Council, a representative of the public appointed by the Mayor, and the Director of Consumer Affairs. The position of Director of Consumer Affairs no longer exists and the responsibilities of the Consumer Affairs Department were assumed by the Senior Citizens Department. Letters were sent to City Council, the Mayor and the Senior Citizens Department in January and February 2008 and in June 2010 by the Auditor General who serves as chairman of the TRC. No responses to the 2008 letters were received. No response has been received from the Mayor's Office to the June 2010 letter. The Public Health and Safety Standing Committee of the City Council has put the matter on its agenda but City Council has not yet named its appointee.

Recommendations

We recommend that:

- City Council appoint a representative of the towing industry to serve on the TRC.

- The Mayor appoint a member of the public to serve on the TRC.
- The Auditor General, who serves as chairman of the TRC, convene a meeting of the TRC.
- The TRC initiate an evaluation of the existing police-authorized towing rates and submit a recommendation regarding towing rates to City Council.
 - The TRC should consider expanding the number of towing rate categories to include the full range of circumstances that can occur in the towing and recovery of vehicles including: the use of specialized equipment; the use of disposables such as oil removal agents, extended clean-up operations, standby time, mileage charges for excessively long tows; and hourly rates for cleanup and accident clearing time.
- City Council take prompt action on the TRC's recommendation by either approving or not approving the recommendation.
- The TRC adopt operating rules which establish the number of commission members necessary for a quorum so that meetings can be held with less than all five members present.

2. The Board of Police Commissioners Did Not Adhere To City Code Requirements

The Board of Police Commissioners did not submit the bi-annual report to City Council regarding the review and recommendation of adjustments in rates related to the impoundment fee schedule as required by Detroit City Code.

Section 55-14-4 (b) of the Municipal Code states the Board of Police Commissioners shall, at least every two (2) years, review and recommend to City Council any adjustment in fees established under this section.

Failure to review and recommend any adjustment in fees to City Council prevents police authorized towing companies from being adequately compensated for services provided.

The Board of Police Commissioners was unaware of their requirement to submit the bi-annual report regarding impoundment fees to City Council as required.

Recommendation

We recommend that the Board of Police Commissioners review and recommend to City Council any adjustment in fees every two (2) years as required by the City Code.

GLOSSARY

Glossary of Acronyms and Terms

Police Authorized Tow	Towing, carrying, pushing or otherwise transporting for a fee by a tower or towers summoned by the police, any motor vehicle, except trailers and truck trailers, that has been wrecked or disabled in any manner or any vehicle that has been abandoned, illegally parked, and/or interferes with emergency activities or impedes traffic.
Police Authorized Tower	A person who has obtained written permission from the Deputy Chief, Management Services Bureau of the City of Detroit Police Department to perform authorized towing and/or storage services pursuant with Chapter 55 of the Detroit Code.
LEIN	Law Enforcement Information Network is a computerized information system established by the State of Michigan, which is utilized to assist the criminal justice community in the performance of its duties by providing and maintaining a computerized filing system of accurate and timely documented criminal justice information readily available to all criminal justice agencies.
TR-52 "Bill of Sale"	Form mailed by the Secretary of State after reporting an abandoned vehicle through the Law Enforcement Information Network. The form is used as a bill of sale when the City disposes of the abandoned vehicle.



CITY OF DETROIT
DETROIT POLICE DEPARTMENT

ATTACHMENT A

1300 BEAUBIEN, SUITE 303
DETROIT, MICHIGAN 48226
PHONE 313-596-1800
WWW.DETROITMI.GOV

February 25, 2011

Loren E. Monroe, Auditor General
Office of the Auditor General
2 Woodward Avenue
Coleman A. Young Municipal Center, Room 208
Detroit, Michigan 48226

SUBJECT: AUDIT OF POLICE AUTHORIZED TOWING PROCESS

Dear Mr. Monroe:

The following presents the Detroit Police Department's responses for the indicated finding and related recommendation in the 2008-2010 Audit of the City of Detroit Towing Process, as prepared by the Office of the Auditor General.

Finding 1: THE DETROIT POLICE DEPARTMENT (DPD) CONTRACT MANAGEMENT IS INADEQUATE.

Response to Finding: The Detroit Police Department agrees that the current towing process management is inadequate. It should be noted that with the implementation of the new towing rules and regulations approved by the Board of Police Commissioners concerning the towing process, only "towing permits" will be issued to qualified applicants. No contracts will be issued.

Finding 2: THE DPD CONTRACT OVERSIGHT IS INADEQUATE.

Response to Finding: On December 15, 2010, the Board of Police Commissioners, in an effort to address this issue, approved new towing rules and regulations regarding the selection of new vendors to provide towing services to the Detroit Police Department. Based upon those guidelines, on January 17, 2011, the Department began issuing applications for "Non Consensual Towing Permits". The applicant is required to provide all current zoning permits, income tax and property tax clearances, and criminal background checks for the owner and their employees. Once selected, the approved vendors must provide the required documentation to the Department on an annual basis.



Mr. Loren E. Monroe
February 25, 2011
Page 2

Further, the Department has implemented a tow company complaint tracking system. A periodic performance review of the selected vendors will be made utilizing this tracking system.

The Detroit Police Department, through the Finance Department-Purchasing Division, has solicited a Request for Proposal in order to obtain a Management Company that will oversee the towing process management in conjunction with Detroit Police Department personnel. Additionally, the Department is in the process of reviewing a comprehensive towing management software system that will coordinate all of the towing activities, both within the Department and at each selected vendor. It is expected that the implementation of this management software will greatly improve the Department's oversight of the towing process.

Finding 3: THE TOWING CONTRACT EXTENSIONS DID NOT FOLLOW THE CITY'S PURCHASING ORDINANCE.

Response to Finding: The Department agrees to adhere to the Finance Department – Purchasing Division's requirements for proper policies and procedures for contractual agreements. It should be noted that under the new towing rules and regulations only "towing permits" will be issued to qualified vendors.

Finding 4: INADEQUATE CONTROL OVER PAYMENTS TO TOWING COMPANIES.

Response to Finding: The Department is in the process of reviewing a comprehensive towing management software system that will coordinate all of the towing activities, both within the Department and at each selected vendor. This management tool will track each invoice and specify the authorizing district/precinct, the date of the tow, the type of tow, vehicle identification information, and specific information to support any non-standard charges. Currently, invoices are manually checked against the Communication's Tow Logs, verifying the authorizing district/precinct, the date of the tow, and vehicle identification information.



Mr. Loren E. Monroe
February 25, 2011
Page 3

Finding 5: TOWING INVOICES ARE NOT PROCESSED TIMELY.

Response to Finding: The Department agrees to ensure that all invoices are date stamped upon receipt. Further, the Department will comply with applicable Finance Directives and City Ordinances.

FINDING 6: INCOMPLETE IMPOUND CARD RECORDS AFFECTS DPD'S ABILITY TO ASSIGN ACCOUNTABILITY FOR VEHICLE DAMAGE.

Response to Finding: On December 15, 2010, the Board of Police Commissioners, in an effort to address this issue, approved new towing rules and regulations regarding the selection of new vendors to provide towing services to the Detroit Police Department. Based upon those guidelines, on January 17, 2011, the Department began issuing applications for "Non Consensual Towing Permits". One of the requirements of the new regulations states: *"The permit holder must digitally photograph all vehicles at the time the vehicle enters their facility. At least five photographs must be taken of every vehicle (Front, both sides, rear, and interior showing condition of steering column, air bags, and radio). Photographs must be stored for 30 days after the vehicle has been released from the permit holder's lot."* This process will allow for an auditable record of the vehicle's condition at the time of the tow.

Further, the Department agrees to review the current DPD 406 impound card and explore the possibility of adopting a multi-copy format.

FINDING 7: THE ABANDONED VEHICLES NOT AUCTIONED PROMPTLY YIELD LITTLE CITY REVENUES.

Response to Finding: The Department agrees that the Auction Detail lacks sufficient resources to process all abandoned vehicles in a timely manner. The Department is in the process of reviewing a comprehensive towing management software system that will coordinate all of the towing activities, both within the Department and at each selected vendor. This management tool will give the Officer in Charge of the Auction Detail the ability to track the status of every vehicle that has been towed by the Department.



Mr. Loren E. Monroe
February 25, 2011
Page 4

Vehicles will no longer be allowed to remain in a vendor's lot, with a status that is unknown to the department, accruing additional storage fees. This process will allow for impounded vehicles to be auctioned sooner, generating additional revenue to the City of Detroit.

FINDING 8: COPY OF THE BILL OF SALE NOT RETAINED BY THE AUCTION DETAIL UNIT.

Response to Finding: The Department agrees that a copy of the bill of sale for each vehicle is not always retained by the Auction Detail. The Auction Details records the following information on the Auction Recapitulation Sheet: Location of the auction, vehicle identification information, mileage, date vehicle came into the Department's custody, current tow fees, price the vehicle was sold for, the purchaser's identification information, and the officer who conducted the auction. These sheets are held by the Department for a period of ten years.

Further, the Department will purchase hand held scanners which will allow Auction Detail personnel to scan every bill of sale and download the information into a Department data base.

FINDING 9: THE DPD WAS NOT IN COMPLIANCE WITH APPLICABLE CITY CODE.

Response to Finding: City code requires that a police officer remain in attendance at the City vehicle pound from 7:00 am to 10:00 pm, each day except Sunday, for the purpose of receiving, safeguarding and discharging vehicles and for the collection of fees. The Department has changed procedures for the impoundment of vehicles at the Caniff yard. The only vehicles held at the yard are for fatal and critical accidents. Vehicles are no longer released directly to citizens during off hours. Police Officers are assigned to the yard Monday through Friday from 8:00 am to 12:00 pm, excluding weekends and holidays. Civilian security guards provide safeguarding services on the off hours.

FINDING 10: LACK OF FAIR AND EQUITABLE DISTRIBUTION AMONGST TOWING ASSIGNMENTS.



Mr. Loren E. Monroe
February 25, 2011
Page 5

Response to Finding: On December 15, 2010, the Board of Police Commissioners, in an effort to address this issue, approved new towing rules and regulations regarding the selection of new vendors to provide towing services to the Detroit Police Department. Based upon those guidelines, on January 17, 2011, the Department began issuing applications for "Non Consensual Towing Permits".

One of the requirements of the new regulations states: "Each Authorized Tower will tow on a rotational basis within the respective District or Precinct in which they are geographically located. Authorized Towers which are cross owned on a basis which is greater than 10%, or under common ownership to an extent greater than 10% or which are owned by members of the same family (spouse, sibling, parent or child), will occupy only one position on the rotation roster and will receive towing assignments in succession."

FINDING 11: TOWING COMPANIES ARE NOT IN COMPLIANCE WITH APPLICABLE CITY CODE, AND ZONING REQUIREMENTS.

Response to Finding: On December 15, 2010, the Board of Police Commissioners, in an effort to address this issue, approved new towing rules and regulations regarding the selection of new vendors to provide towing services to the Detroit Police Department. Based upon those guidelines, on January 17, 2011, the Department began issuing applications for "Non Consensual Towing Permits". Under the new towing requirements the applicant is required to provide all current zoning permits, income tax and property tax clearances, and criminal background checks for the owner and their employees. Further, a site visit will be conducted by members of the Department to ensure that the vendors are in compliance with all applicable requirements.



CITY OF DETROIT
POLICE DEPARTMENT

Mr. Loren E. Monroe
February 25, 2011
Page 6

Should you have any concerns regarding this matter, please feel free to contact me at 596-1800, Monday through Friday, 9:00 a.m. to 5:00 p.m.

Sincerely,


RALPH L. GODBEE JR.
Chief of Police

RLG-ma



VIA HAND DELIVERY

February 24, 2011

Loren E. Monroe, Auditor General
City of Detroit
2 Woodward Avenue, Room 208
Detroit, Michigan 48226

Dear Auditor General:

The following presents the Board of Police Commissioners' response for the indicated finding and related recommendation in the April 2008 – June 2010 audit of the City of Detroit's Towing Processes.

Finding No. 1: **The Board of Police Commissioners Did Not Adhere to City Code Requirements.**

Agency Response No. 1:

Specifically, the Auditor found that:

The Board of Police Commissioners did not submit the bi-annual report to City Council regarding the review and recommendation of adjustments in rates related to the impoundment fee scheduled as required by Detroit City Code.

The audit also found that the failure of the Board of Police Commissioners ("the Board") to "review and recommend" these adjustments, "prevents police authorized towing companies from being adequately compensated for services."

This finding is true, for the most part. Unfortunately, it appears that for at least the last decade, the Board has not made any recommendations to City Council with regard to "impoundment fee[s]," more commonly known as storage fees. This inaction appears to be based, in large part, on the past practice of the former Towing Rate Commission, setting both the rates for towing and for storage (see attached letter dated January 28, 1999).¹

However, it should be noted that the Board's suggested inadvertence has **not** "prevented police authorized towing companies from being adequately compensated." In fact, quite to the contrary is true. It was the outcry of the citizens paying exorbitant storage fees to certain police authorized towers which served as the impetus behind the Board's efforts to swiftly adopt the *Police Authorized Towing Rules* (see attached) as required by Section 55-15-8(a) of the City Ordinance.

¹ Note: There has been no Towing Rate Commission since 2003-2004. [Comments from Jeffrey Vedula, Deputy Auditor General at City Council Public Hearing, April 7, 2008, Transcript, page 22.]



Loren E. Monroe
Auditor General
February 24, 2011
Page Two

In addition, the new *Police Authorized Towing Rules*, will require that each tow company “conspicuously display signage” which will include a schedule of all approved towing, storage and additional charges approved by the City. Tow companies are expressly prohibited from charging any fee or cost in excess of that specifically authorized by the City.

In conclusion, the Board feels confident that compliance with the City Code with regard to recommending “impoundment fees” to City Council can be achieved no later than the third quarter of 2011.

Thank you for extending the Board an opportunity to respond to your audit of the City of Detroit Towing Processes. We would also welcome the opportunity to discuss with you, the Mayor or City Council how we believe that many of the concerns raised in your audit will be diminished, if not alleviated, with the new *Police Authorized Towing Rules*.

Should you have additional questions, concerns or comments, please contact me or Celia Banks Washington, Attorney/Supervising Investigator, Board of Police Commissioners at (313) 596-1830, Monday through Friday, 9:00 a.m. to 5:00 p.m.

Sincerely,

REV. JEROME WARFIELD, Chair
BOARD OF POLICE COMMISSIONERS

Attachments

c: George Anthony, Executive Secretary to the Board
Commissioners

JOSEPH L. HARRIS, CPA
AUDITOR GENERAL
CITY OF DETROIT

318 City-County Building
DETROIT, MICHIGAN 48226
PHONE 313-224-3101
FAX 313-224-4091

January 28, 1999

Honorable City Council
Detroit, Michigan

Re: Police Authorized Towing Rates

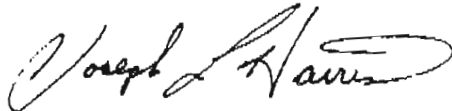
Per Ordinance 55-15-2, the Towing Rate Commission is charged with the duty of reviewing rates and submitting a recommendation to the City Council.

The Commission has met several times and reviewed the current fees for heavy tows, the overnight parking of large commercial trucks and semi-trailers on residential streets, and the victim of crimes issue as it relates to towing rates.

The Commission recommends an adjustment to the police authorized towing rates as described in the accompanying proposed resolution regarding heavy tows. This proposed resolution is being submitted under the authority of Ordinance 55-15-5 and Ordinance 14-85 which give the City Council the authority to establish maximum and standard rates for police authorized tows. We recommend that these rates take immediate effect.

However, the Commission is still in the process of reviewing the issues regarding the overnight parking of large commercial trucks and semi-trailers on residential streets and the waiving of towing fees for victims of crime. The Commission will submit its recommendation for these matters at a later date.

Respectfully submitted,



TOWING RATE COMMISSION,
COMMISSIONERS

John Roy Castillo, representing the Department
of Consumer Affairs
Commander Andrea Jackson, representing
the Police Department
Gasper Fiore, representing the Towing industry
Henry Ghant, representing the Public
Joseph L. Harris, CPA, CIA, Auditor General,
Chairman

By _____

WHEREAS, the Towing Rate Commission recently voted to recommend that the following tow rates take immediate effect as follows:

For private towing services engaged by the Detroit Police Department:

- a) To nearby legal parking space with or without the use of a dolly or flat bed truck:
 - 1. Non Accident Tows: \$30.00
 - 2. Accident Tows: \$30.00
- b) To Precinct Station (from anywhere in the City) with or without the use of a dolly or flat bed truck: \$35.00
- c) To pound from anywhere in Precinct (including Precinct Station) with or without the use of a dolly or flat bed truck:

<u>Precinct</u>	<u>Amount</u>
1	\$30.00
2	\$42.00
3	\$36.00
4	\$50.00
5	\$36.00
6	\$54.00
7	\$28.00
8	\$66.00
9	\$28.00
10	\$38.00
11	\$28.00
12	\$34.00
13	\$30.00

- d) When the Police Department requests a tower, by name, to appear at a specified location to perform a towing task, the tower arrives at the location within 20 minutes but through no fault of the tower, does not perform an otherwise compensable towing task: \$10.00

- e) To private storage pursuant to 38-1-32.1 (a), for any vehicle with a gross vehicle weight of less than 10,000 pounds, a flat rate of \$75.00 for towing and storage of the vehicle for up to three days shall be charged to, and paid for by, the owner of the vehicle towed. This rate shall apply regardless of the time and equipment used during such tows. An additional \$8.00 per day may be charged for each day of storage in excess of three days.
- f) To private storage pursuant to 38-1-32.1 (a), for any vehicle with a gross vehicle weight between 10,000 pounds to 26,000 pounds, a flat rate of \$150.00 for towing for the first two hours shall be charged to, and paid for by, the owner of the vehicle towed. An additional hourly rate of \$75.00 shall be charged in excess of two hours. This rate shall apply regardless of the equipment used during such tows. An additional \$25.00 per day shall be charged for each day of storage commencing on the first day.
- g) To private storage pursuant to 38-1-32.1 (a), for any vehicle with a gross vehicle weight over 26,000 pounds, a flat rate of \$250.00 for towing for the first two hours shall be charged to, and paid for by, the owner of the vehicle towed. An additional hourly rate of \$125.00 shall be charged in excess of two hours. This rate shall apply regardless of the equipment used during such tows. An additional \$25.00 per day shall be charged for each day of storage commencing on the first day.
- i) That all rates shall apply to the abandoned car towers and the precinct authorized towers.

WHEREAS, Ordinance 55-15-5 and Ordinance 14-85 give the City Council the authority to establish maximum and standard rates for police authorized tows, Now therefore be it

RESOLVED, That the above tow rates take immediate effect.

Hood, Kelley, Ravitz, and President Mahaffey — 9.
Nays — None.

Auditor General
January 30, 1992

Honorable City Council:
Re: Police Authorized Towing Rates
Per Ordinance 55-15-2, the Towing Rate Commission is charged with the duty of reviewing rates and submitting a recommendation to the City Council.

The Commission had met several times and reviewed the current existing towing rates since 1985 considering the rates with other communities and economic conditions. After considering all factors, the Towing Rate commission voted to recommend to adjust the police authorized towing rate.

This proposed resolution is being submitted under the authority of Ordinance 55-15-5 and Ordinance 14-85 which gives the City Council the authority to establish maximum and standard rates for police authorized tows. It is requested that these rates take immediate effect.

Respectfully submitted,
TOWING RATE COMMISSION
COMMISSIONERS:
JACK CHASE
Consumer Affairs
LT. JOHN COURIE
Police Dept.
QUINTON McRAE
Mayor's Appointee
GARY KAROLSKI,
City Council's Appointee
ROGER SHORT, CPA,
Auditor General Chairman

By Council Member Ravitz:
Whereas, The Towing Rate Commission recently voted to recommend that the following tow rates take immediate effect relative to the following:

For private towing services engaged by the Detroit Police Department

(a) To nearby legal parking space with or without the use of a dolly or flat bed truck:

- 1. Non-Accident Tows: \$30.00 ✓
- 2. Accident Tows: \$30.00

(b) To Precinct Station (from anywhere in the City) with or without the use of a dolly or flat bed truck: \$35.00

(c) To pound from anywhere in Precinct (including Precinct Station) with or without the use of a dolly or flat bed truck:

Precinct	
1	
2	\$30.00
3	42.00
4	36.00
5	50.00
6	36.00
	54.00

Precinct

7	28.00
8	66.00
9	28.00
10	38.00
11	28.00
12	34.00
13	30.00

(d) When the police department requests a tower, by name to appear at a specified location to perform a towing task the tower arrives at the location within a reasonable time but through no fault of the tower, does not perform an otherwise compensable towing task: \$10.00

(e) To private storage pursuant to 38-1-32.1 (a) (4) a flat rate of \$70.00 for towing and storage of the vehicle for up to three days, shall be charged to, and paid for by, the owner of the vehicle towed. This rate shall apply regardless of the time and equipment used during such tows. An additional \$8.00 per day may be charged for each day of storage in excess of three days.

(f) Any vehicle requiring the use of a heavy duty wrecker such as a large truck, tractor, or semi-trailer or heavy equipment or retrieval service with authorization by Police Department: \$75.00/hr.

(g) Storage rate for large trucks and semi-trailers commencing on the first day: \$15.00/day

(h) For indoor storage commencing on the first day when authorized by the owner/agent of the vehicle: \$12.00/day

(i) That all rates shall apply to the abandoned car tows and the precinct authorized tows.

(j) For towing services performed by Detroit Police Department, wherein illegally parked vehicles will be towed to a Police authorized tower's storage lot, Detroit Police Department shall be reimbursed by the Police authorized tow company for towing costs incurred for an amount equivalent to 50% of the current rate for towing of the vehicle to a private storage.

Whereas, The change in the towing rate is necessary due to the increase of operating costs.

Whereas, Ordinance 55-15-5 and Ordinance 14-85 gives the City Council the authority to establish maximum and standard rates for police authorized tows. Now therefore be it

Resolved, That the above tow rates take immediate effect.

Adopted as follows:
Yeas — Council Members Butler, Cleveland, Eberhard, Everett, Hill, Hood, Kelley, Ravitz, and President Mahaffey — 9.
Nays — None.

Handwritten notes:
no
18
C...
D...
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MARCH 31

to pay part or all \$45,000.00 to the Plaintiff, the Finance Director is authorized to issue a draft drawn upon the proper account in favor of Regina Snodgrass and her attorneys, Robstein, Erlich, and Rothstein, in the amount of the arbitrators' decision, but said draft may not be less than Fifteen Thousand Dollars (\$15,000.00) and shall not exceed Forty-Five Thousand Dollars (\$45,000.00).
Approved:
PHYLLIS A. JAMES
Corporation Counsel
By: E. JOHN BAILEY
Chief Assistant
Corporation Counsel

Adopted as follows:
Years — Council Members K. Cockrel, Jr., S. Cockrel, Everett, Hood, Mahaffey, Scott, Tinsley-Talabi, and President Hill — B.
Nays — None.

Auditor General
January 28, 1999

Honorable City Council:
Re: Police Authorized Towing Rates.
Per Ordinance 55-15-2, the Towing Rate Commission is charged with the duty of reviewing rates and submitting a recommendation to the City Council.

The Commission has met several times and reviewed the current fees for heavy tows, the overnight parking of large commercial trucks and semi-trailers on residential streets, and the victim of crimes issue as it relates to towing rates.

The Commission recommends an adjustment to the police authorized towing rates as described in the accompanying proposed resolution regarding heavy tows. This proposed resolution is being submitted under the authority of Ordinance 55-15-5 and Ordinance 14-85 which give the City Council the authority to establish maximum and standard rates for police authorized tows. We recommend that these rates take immediate effect.

However, the Commission is still in the process of reviewing the issues regarding the overnight parking of large commercial trucks and semi-trailers on residential streets and the waiving of towing fees for victims of crime. The Commission will submit its recommendation for these matters at a later date.

Respectfully submitted,

JOSEPH J. HARRIS
Towing Rate Commission,
Commissioners

By Council Member Everett:

Whereas, The Towing Rate Commission recently voted to recommend that the following low rates take immediate effect as follows:

For private towing services engaged by the Detroit Police Department:
a) To nearby legal parking space with or without the use of a dolly or flat bed truck.

requiring the City to pay a designated sum to the Plaintiff, that your Honorable Body direct the Finance Director to issue a draft in that amount payable to Regina Snodgrass and her attorneys, Robstein, Erlich and Rothstein, in the amount of the arbitrators' decision, but said draft may not be less than Fifteen Thousand Dollars (\$15,000.00) and shall not exceed Forty-Five Thousand Dollars (\$45,000.00).
Respectfully submitted,
JOHN P. DUINN
Supervising Assistant
Corporation Counsel

Approved:
PHYLLIS A. JAMES
Corporation Counsel
By: E. JOHN BAILEY
Chief Assistant
Corporation Counsel
By Council Member Hood:
Resolved, That:

The Law Department is authorized to agree to entry of an Order of Dismissal and to enter into an Agreement to Arbitrate in the case of Regina Snodgrass v City of Detroit, Court Case No. 97-713568 NO. on the following terms and conditions:

A. 1. The parties shall submit to arbitration all matters in controversy raised in the above-named lawsuit.
2. Plaintiff shall recover a minimum amount of Fifteen Thousand Dollars (\$15,000.00).
The maximum amount of any award to the Plaintiff shall be in the amount of Forty-Five Thousand Dollars (\$45,000.00).

3. Any award under \$15,000.00 shall be interpreted to be in the amount of \$15,000.00.
Any award in excess of \$45,000.00 shall be interpreted to be in the amount of \$45,000.00.

There shall be no costs, fees, attorney fees or interest taxable with respect to the award rendered by the arbitrators.

The award of the arbitrators shall represent a full and final settlement of any amounts due and owing to Plaintiff for any and all claims arising out of an alleged incident which allegedly occurred on or about January 8, 1997 at or near 18940 Coyte; however, limited judicial review may be obtained in a Michigan Federal District Court or Michigan Circuit Court of competent jurisdiction (a) in accordance with the standards for review of arbitration awards as established by law, or (b) on the ground that the arbitrators committed an error of law.

B. Promptly after the arbitrators announce their decision, the Law Department shall inform City Council in writing of that decision.

C. Upon certification by the Law Department that the arbitrators have announced a decision requiring the City

1. Non Accident Tows: \$30.00
2. Accident Tows: \$30.00
b) To Precinct Station (from anywhere in the City) with or without the use of a dolly or flat bed truck: \$35.00
c) To pound from anywhere in Precinct (including Precinct Station) with or without the use of a dolly or flat bed truck:

Precinct	Amount
1	\$30.00
2	\$42.00
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10	\$38.00
11	\$28.00
12	\$34.00
13	\$30.00

d) When the Police Department requests a tow, by name, to appear at a specified location to perform a towing task, the tow arrives at the location within 20 minutes but through no fault of the towee, does not perform an otherwise compensable towing task. \$10.00
e) To private storage pursuant to 38-1-32.1 (a), for any vehicle with a gross vehicle weight of less than 10,000 pounds, a flat rate of \$75.00 for towing and storage of the vehicle for up to three days shall be charged to, and paid for by, the owner of the vehicle towed. This rate shall apply regardless of the time and equipment used during such tows. An additional \$6.00 per day may be charged for each day of storage in excess of three days.

f) To private storage pursuant to 38-1-32.1 (a), for any vehicle with a gross vehicle weight between 10,000 pounds to 26,000 pounds, a flat rate of \$150.00 for towing for the first two hours shall be charged to, and paid for by, the owner of the vehicle towed. An additional hourly rate of \$75.00 shall be charged in excess of two hours. This rate shall apply regardless of the equipment used during such tows. An additional \$25.00 per day shall be charged for each day of storage commencing on the first day.

g) To private storage pursuant to 38-1-32.1 (a), for any vehicle with a gross vehicle weight over 26,000 pounds, a flat rate of \$250.00 for towing for the first two hours shall be charged to, and paid for by, the owner of the vehicle towed. An additional hourly rate of \$125.00 shall be charged in excess of two hours. This rate shall apply regardless of the equipment used during such tows. An additional \$25.00 per day shall be charged for each day of storage commencing on the first day.

f) That all rates shall apply to the abandoned cars and the precinct authorized towers.

Whereas, Ordinance 55-15-5 and Ordinance 14-85 give the City Council the authority to establish maximum and standard rates for police authorized tows. Now therefore be it
Resolved, That the above tow rates take immediate effect.
Adopted as follows:

Years — Council Members K. Cockrel, Jr., S. Cockrel, Everett, Hood, Mahaffey, Scott, Tinsley-Talabi, and President Hill — B.
Nays — None.

**Buildings and Safety
Engineering Department
March 15, 1999**

Honorable City Council:
Re: Dangerous Buildings.

In accordance with this Department's findings and determination that the buildings or structures on the following described premises are in a dangerous condition and should be removed, it is requested that Your Honorable Body hold a hearing on each location as provided in Ord. 290-H Section 12-11-28.4 of the Building Code and this Department also recommends that you direct the Department of Public Works to take the necessary steps in each case to have the dangerous structures removed and to assess the costs of same against the property.

2594 Algonquin, Bldg. 101, DU's 1, Lot 327, Sub of Daniel J. Campau (Plats) between Unknown and Charlevoix.
The building or structure at the above referenced location is found to be a dangerous building as defined by Ordinance.

822 Conner, Bldg. 101, DU's 1 Lot 212, Sub of A. M. Campau Realty Co. Sub (Plats) between Freud and Kerdreval.
The building or structure at the above referenced location is found to be a dangerous building as defined by Ordinance.

14919 Glenwood Bldg. 101, DU's 1 Lot 480, Sub of Youngs Gralot View Sub Annex (Plats) between MacCrarty and Queen.
The building or structure at the above referenced location is a dangerous building as defined by Ordinance.

14924 Laurel Bldg. 101, DU's 2, Lot 272; W15, 271, Sub of Longridge (Plats) between Monarch and Queen.
The building or structure at the above referenced location is found to be a dangerous building as defined by Ordinance.

6876 Longacre, Bldg. 101, DU's 1, Lot 172, Sub of Fischkorn Highlands (Plats) between Whitlock and W. Warren.
The building or structure at the above referenced location is found to be a dangerous building as defined by Ordinance.

APPLICATION PROCESS – PROSPECTIVE TOW COMPANY

Goals in the Selection Process

The City of Detroit is responsible for maintaining clean, safe and functional streets for its citizen's use. Citizens are entitled to a well-managed vehicle towing system that affords them a high level of customer service, convenience, courtesy, and professionalism. These are common goals shared by the Detroit Police Department ("the Department") and the Board of Police Commissioners ("the Board"). To that end, the selection process formulated by the City will result in awarding tow permits (including permits for the storage and disposal of abandoned and illegally parked vehicles) only to those tow companies who share in these goals.

Application Packet

Each prospective tower applicant must furnish the Department with completed information contained in the tower application packet which must include:

- Completed Application
- Background clearances on all employees (at the tower's cost)
- A list of any and all civil cases (pending and closed) where the prospective tower is named as a defendant
- Insurance Information (attach Certificate of Liability Insurance)
- List of licenses held
- List of trucks owned or leased (attach registrations)
- List of special on-site equipment
- Property tax clearances to the primary and secondary location
- Vendor's income tax clearance
- Zoning clearances for all storage location
- A detailed listing of all tow companies where the owner / proprietor or family member of the owner / proprietor, has at least a 10% stake in the tow company(s).
- Proof of certification as a Detroit-based business
- Proof that private storage lot, yard or garage is located within the boundaries of the City of Detroit¹

¹ Detroit Ordinance, § 55-15-1(4)

Additional Applicant Requirements

Applicants for permits must provide the following information with regard to **all** parents, subsidiaries, divisions, affiliates, partners and major stockholders or members (over 10%):

Name _____
Address _____
President/CEO _____
Relationship to Applicant _____
Percentage of Stock or other form of Ownership in Applicant

Background Check Certification

At the time of application, and continuing thereafter on a yearly basis, the applicant must provide certification from an independent background check organization approved by the Department that the applicant and its employees are free of the following felony convictions for the past seven (7) years, including but not limited to:

- Any offense that pertains to alteration or removal of a vehicle's identification numbers, theft and/or damage to vehicles, unlawful possession of burglary tools, petty theft, grand theft, or robbery, arson, extortion, forgery and/or burglary;
- Any offense, the elements of which include inflicting bodily injury or death to a person or persons;
- Reckless driving or driving under the influence of any drug or intoxicating liquor, regardless of whether the incident resulted in bodily injury or death, hit and run, any conviction for drug use (possession or sale) and evading a police officer;
- Any offense for which an individual must register as a sex offender.

Selected tow companies will provide the City with annual background checks, proof of valid driver licenses and driving records for its employees.

SELECTION CRITERIA

Applicants must agree to be bound by all the terms and conditions of the Police Authorized Tower Permit with the City of Detroit.

The Department, at its discretion, shall identify a reasonable number of tow companies per district or precinct. Each year, the Department will review the performance of each authorized tow company.

Selected tow companies must attend a mandatory Tower Orientation Session, which will include an overview of the requirements mandated by the Department, as well as the customer service/citizen complaint process.

The large number of vehicles within the City generates an intense demand for regulation of traffic flow that can only be met by a tow program that is efficient and capable of handling tow operations through the use of highly trained and properly equipped personnel and offices. At a minimum, the tow company must have sufficient equipment to perform required tow services (e.g. tow trucks, properly zoned property for storage, and insurance for each).

Insurance Requirements

At all times a permit holder must maintain, at minimum and at its expense, the following insurance:

<u>TYPE</u>	<u>AMOUNT NOT LESS THAN</u>
(a) Workers' Compensation	Michigan Statutory minimum
(b) Employer's Liability	\$500,000.00 minimum each disease \$500,000.00 minimum each person \$500,000.00 minimum each accident
(c) Commercial General Liability Insurance	\$1,000,000.00 each occurrence \$2,000,000.00 aggregate Coverage is to include blanket contractual liability.
(d) Garage Keeper's Legal Liability Insurance	\$50,000.00
(E) Automobile Liability	\$1,000,000.00 combined single Insurance (covering limit for bodily injury all owned, hired and property damage to non-owned vehicles with personal and protection insurance including residual liability insurance under Michigan No Fault Insurance Law)

To the extent that state and/or federal law imposes requirements in excess of those stated above, the tow company must comply with the requirements of the law. The City reserves the right to change the insurance requirements 30 days after written notice to the tow company. Each year, the tow company must provide current certificates of insurance to the City, naming the City as an additional insured. The City must be provided with a 30-day notice of any cancellations or nonrenewal of insurance coverage.

Indemnification

As a condition of holding its permit, a tow company must agree to be solely responsible for and indemnify, defend and hold harmless the City of Detroit from and against all losses, liability, claims, causes of action, damages or costs, including any related expenses and attorney fees, for or on account of injuries to or death of any person and/or any property damage alleged to have been sustained in connection with the tow company's performance or failure to perform.

And further as a condition of holding its permit, a police authorized tower acknowledges that it understands and expressly assumes all the risks and dangers of the activities authorized by a police authorized tower permit and by its application for such a permit it agrees that it releases, waives, discharges, and covenants not to sue the City of Detroit, the Detroit Police Department and their officers, agents, servants, and employees from all liability, claims, demands, actions, or causes of action whatsoever arising out of any damages, loss, or injury to the police authorized tower or to its property while participating in any of the activities authorized pursuant to a police authorized tower permit, whether such damage, loss, or injury results from the negligence of those released or from any other cause. A holder of a police authorized tower permit, by its application for such a permit, agrees to defend and indemnify and hold harmless the City and the Department from any loss, liability, damage, or costs, including court costs and attorneys' fees, that they may incur due to the activities of the tower as a police authorized tower, whether caused by the negligence of the persons or entities released or otherwise.

Operation and Use of Facilities

Towing Equipment

Selected tow companies may either own or lease their towing equipment, so long as the equipment is adequate and is properly insured.

Storage Facility

Selected tow companies must provide convenient, well-managed, and courteously operated storage facilities for vehicles towed pursuant to Detroit Traffic Codes, and other vehicles ordered towed by the Department.

The City shall have the right to enter the tow company's facilities at any time. The tow company shall maintain an office at each facility with sufficient space for all necessary business capabilities, i.e. computers with software capabilities to collect vehicle information and other data, telephones, facsimile machines for servicing the customer and the Department. Data on each vehicle shall be stored electronically and is subject to inspection and audit. Each yard/storage facility shall contain a digital camera recording system (with DVR backup). The tow company shall supply the necessary toilet facilities at each location. The tow company shall be responsible for securing the facilities, all vehicles located therein and for the safety and security of all towed vehicles, including without limitation, limiting access to authorized persons. The tow company shall operate and maintain the facilities in accordance with all applicable zoning requirements, local, state, and federal laws.

Methods of Payment

All selected tow companies shall accept cash (and issue sequential cash receipts), and may accept any other tender at their own risk. Tow companies may provide on-site cash machines for the citizens' convenience. Any fees incurred by or loss from such transactions shall be processed in accordance with normal business practices and shall in no event be the responsibility of the City.

Posting of Required Information

The Department will provide signage to each tow company (at the tow company's expense) which must be conspicuously displayed and easily visible at each storage lot, yard or garage which expressly states the following:

- The name and address of the tower's insurance broker handling the insurance coverage required by the permit.
- Schedule of all approved towing, storage and additional charges as specified by the City². Tow companies are expressly prohibited from charging any fee or cost in excess of that specifically authorized by the City.
- A notice explaining the conditions and/or procedures under which a tow hearing may be requested from the City and the Detroit Police Department.

² The entire schedule of charges should appear on the customer's copy of receipt.

- Procedures for filing a claim for damages incurred to the vehicle or contents thereof as a result of the tow or while in storage.
- A list of the documents required by the tow company in order for a citizen to retrieve a towed vehicle.
- A statement that the registered owner shall not be charged for the initial viewing of a recovered vehicle.
- A notice explaining the Department's policy to pay police authorized tower(s) for each tow of a vehicle to a City auto pound(s), precinct or district for the processing of evidence for the victims of any crimes.
- A Department contact name and phone number.

Tow Release Procedures

The Department shall provide the public with a Department telephone number to facilitate the retrieval of information on towed vehicles.

As a condition of holding a permit the City shall be held harmless by the permit holder from all claims arising out of the improper release of a vehicle. Responsibility for the release of a vehicle to a person without proper evidence of title devolves fully on the tower.

In the event that the towed vehicle has been identified as having a Police Hold (meaning that the Police have communicated in writing that the vehicle is to be placed on hold until released in writing), the tower shall not release the vehicle without written authorization from the Department.

If the tower tows a vehicle without an impound card, or releases, sells, auctions, or crushes a vehicle that is subject to a police hold, notwithstanding any criminal or civil penalties which may be levied by any court, there shall also be assessed a \$1000 credit to the City per occurrence. In addition, the tower shall pay the blue book value of the vehicle to the owner if the vehicle is no longer available. In the event the vehicle sustains damage while in the possession of the tower, the tower will be responsible. Receipt of any remedy required by these rules does not preclude the registered owner from taking legal action.

Any tow company with an unclaimed vehicle on its premises for seven (7) calendar days must notify the Department, TCRU and the Towing Monitor in

writing. It shall be the tow company's responsibility to provide the Department with written notice every seven (7) days the vehicle remains unclaimed.

Customer Service

Towing Response Time

The City greatly values prompt courteous service to the public. The Department shall create a Citizen Complaint Form to facilitate feedback on the performance of police authorized towers. The Department and the Towing Monitor (should one be selected) will serve as the repository for the Citizen Complaint Forms. The Department shall implement a process whereby citizens can register written complaints.

The tow company must act in accordance with the highest industry standards and practices as approved by the City of Detroit. Therefore, the tow company must not cause the public unreasonable delay either on the phone or in person. Tow companies shall respond with the appropriate equipment to the designated point of tow within twenty (20) minutes of the dispatch.

All selected tow companies shall accommodate special tow programs such as abandoned vehicle sweeps and City-sponsored events. The City will notify the tow company in advance to insure that a sufficient number of tow trucks are available. The City shall state the number of tow operators required, the location and the time that they are to start.

In all contacts with the public, selected tow companies must promptly return vehicles when presented with sufficient proof of payment and ownership pursuant to applicable law and any guidelines provided by the City and designated department personnel.

Hours of Service

All tow companies must respond to all tow service calls with sufficient operational equipment to meet all towing services required at all times, 24-hours per day, seven days per week, including holidays. In the event a tow company does not respond to a tow service call, that tow company will be skipped, and the next tow company in the rotation will be called for the service call. The hours of service must allow citizens to retrieve their vehicles from 7 a.m. – 7 p.m., seven (7) days a week.

INTERNAL CONTROLS

Tower Rotation

Unless the workload or new technology warrants change, the criteria for tower rotation are as follows:

- A maximum of six (6) authorized tow companies will be assigned to each District and a maximum of three (3) to each Precinct.

Each Authorized Tower will tow on a rotational basis within the respective District or Precinct in which they are geographically located. Authorized Towers which are cross owned on a basis which is greater than 10%, or under common ownership to an extent greater than 10% or which are owned by members of the same family (spouse, sibling, parent or child), will occupy only one position on the rotation roster and will receive towing assignments in succession. For purposes of this provision "cross ownership" refers to the ownership of one corporate entity by another. "Common ownership" refers to the ownership of two or more corporate entities by a single person or corporation.

- Towing assignments which cannot be fulfilled by the permit holder originally called must be referred back to the Department for reassignment and may not be reassigned by the permit holder.
- Districts or Precincts lacking adequate authorized tow companies to cover their respective areas shall have towers assigned by Fiscal Management Bureau on the basis of their geographical distance to the **actual** District or Precinct.
- Authorized tow companies assigned to tow in the area of 36th District Court or for events are required to have a tow truck on stand-by in the downtown area for immediate towing. These tow companies shall tow on a weekly rotational basis.
- **Abandoned vehicle tow** requests shall be rotated among the tow companies capable of towing and storing abandoned vehicles within the respective District or Precinct. This rotation shall be separate from all other authorized tows. The rotation shall be on a vehicle by vehicle basis among those tow companies who are capable in order to insure that all abandoned tows are rotated fairly and equitably.
- **Heavy duty towing** shall be rotated among the tow companies having that capability. "Capability" shall mean those authorized tow

companies that: 1) possess heavy duty trucks and equipment on site; 2) employ drivers in possession of the required CDL license endorsement; and 3) possess the space to store semi-trucks. The heavy duty towers shall be separated from the regular authorized tower rotation.

Detroit Police officers (or any other public official who exercises any functions or responsibilities in the review and/or approval of police authorized tow companies under any towing permit with the City) shall be strictly prohibited from directly calling in tow companies for tow(s). Detroit Police officers assigned to abandoned vehicles ("ABAN" officers) are also strictly prohibited from calling any tower directly for a tow. If a tower fails to respond within twenty (20) minutes after receiving a call, the next tower in line for rotation will be contacted. No vehicle shall be towed without authorization from the Detroit Police Department Dispatch Center. To ensure safety for the residents and the towers, no vehicles shall be towed that are in the presence of the owner, driver, or current occupier, without a Detroit Police Officer present.

Record Keeping

All selected tow companies shall maintain, in accordance with generally accepted accounting principles, complete and accurate books of account and records relating to all items of income received and expenses incurred in regard to police authorized towing. Such books of account shall be maintained at the site approved by the City. Authorized tow companies will be required to provide the City with a copy of their annual financial statement.

Annual Audit

All tow companies shall be required to provide the Department and the Towing Monitor with an annual financial and operational audit. The City and/or the Department reserve the right to audit the books and records of each tow company in order to ensure compliance with the Police Authorized Towing Permit and these Rules. This review may include, but may not be limited to, all monies collected by the tow company under the Police Authorized Towing Permit, auction procedures, and compliance with the Law Enforcement Information Network (L.E.I.N.) sale process.

Monitoring Process

The Department, with input from the Board will monitor this process and may appoint a Towing Monitor. If a Towing Monitor is appointed, such individual will select a team of civilian and sworn personnel who will serve as an investigation unit and liaison between all tow companies and the City of Detroit. This team will also be responsible for monitoring tow company performance by conducting site

visits and will report any apparent deficiencies or violations of these rules to the Board.

Abandoned Vehicle Auctions

Tow companies will be required to cooperate with the Department and comply with the Department's Manual with regard to public abandoned vehicle auto auctions.

LEGAL CONSIDERATIONS

Conflicts of Interest

Selected tow companies must certify that no officer, agent, or employee of the City (including but not limited to police officers) or any other public official has any personal or financial interest, directly or indirectly in the selected tow company. Selected tow companies must also agree not to hire or retain the services of any member of the Department, agent, or Board member, while such person is a public employee or official or for a period of at least one year thereafter, and will not hire any person with an interest that could possibly conflict in any manner with the performance of an authorized tower's responsibilities pursuant to a towing permit.

As a condition of its selection for a towing permit each police authorized tower acknowledges that holding such a permit is not a guarantee that any particular number of tows will be assigned to it and agrees that neither it nor any person under its control or who acts as an agent for it will initiate any action against the City based on a claim that it has failed to receive any particular number or share of tows.

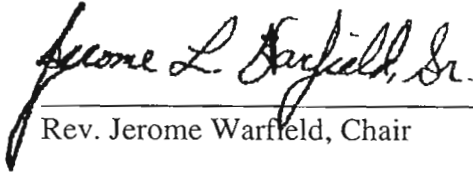
Nontransferability and Termination

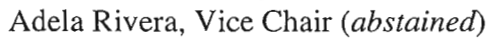
Any permit to provide towing services to the City cannot be transferred, sold or assigned to any other person or entity. Selected tow companies must notify the Department within ninety (90) days if the company sells, or in any manner transfers, the entire company, a substantial portion of its assets, or 10% or more of the outstanding stock, or if there is a change in any of the partners, owners, or officers of the tow company.

The City reserves the right to terminate any towing permit with a tow company in the event of a breach of the towing permit or any provision of the towing permit or of these Rules provided, however, that the permit holder shall be afforded an opportunity for a hearing before the Board of Commissioners or the Board's designee prior to the effective date of any such termination.

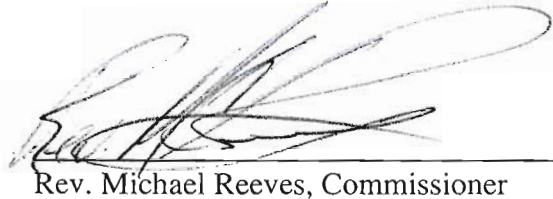
The City may immediately terminate any towing permit with a tow company for fraud or criminal conduct by the tow company or its employees, provided however, that as soon as practicable the permit holder shall be afforded an opportunity for a hearing before the Board of Commissioners or the Board's designee following which hearing the Board shall either affirm or rescind the termination.

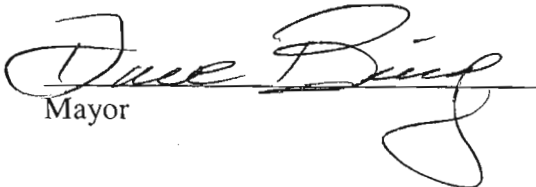
Unless terminated earlier, a permit granted pursuant to these rules shall be valid for a period of five (5) years from the date of issuance. At any time within the last year an application for renewal may be made by the permit holder. An application for renewal shall include all the information and requirements of the original application.

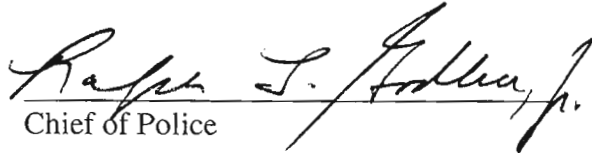

Rev. Jerome Warfield, Chair


Adela Rivera, Vice Chair (*abstained*)


Toney Stewart, Commissioner


Rev. Michael Reeves, Commissioner


Mayor


Chief of Police

Dated: DEC 15 2010