

Performance Audit of the City’s Towing Program

Why OCA did this study

Vehicle towing provides public benefits, such as ensuring streets are clear for street sweeping, parking is available for all, parking rules and laws are followed, and vehicles are registered. However, towing can also have disproportionate impacts on vulnerable populations, such as people who are low-income or are experiencing homelessness. For some people, a vehicle tow may result in the permanent loss of their vehicle, loss of employment, loss of access to education and medical care, and other consequences.

California State law gives cities the ability to tow vehicles and permits them to adopt additional laws and policies regulating the towing of vehicles in their own jurisdiction. Consequently, a local government’s policies may impact how various types of infractions are enforced.

Our audit included the following objectives:

1. Evaluate the financial, equity, and public benefit effects of the City’s vehicle towing program, and how those effects may vary under alternative vehicle towing policy and fee models; and
2. Determine the extent to which the City monitors and evaluates contractor performance, in accordance with the City’s Contract Compliance Guide, Council Policy 500-03, and the contract.

What OCA found

Finding 1: The City should strengthen the public oversight and transparency of the vehicle towing program by publicly reporting on the program’s outcomes, impacts to residents, and potential revisions to towing policies and practices.

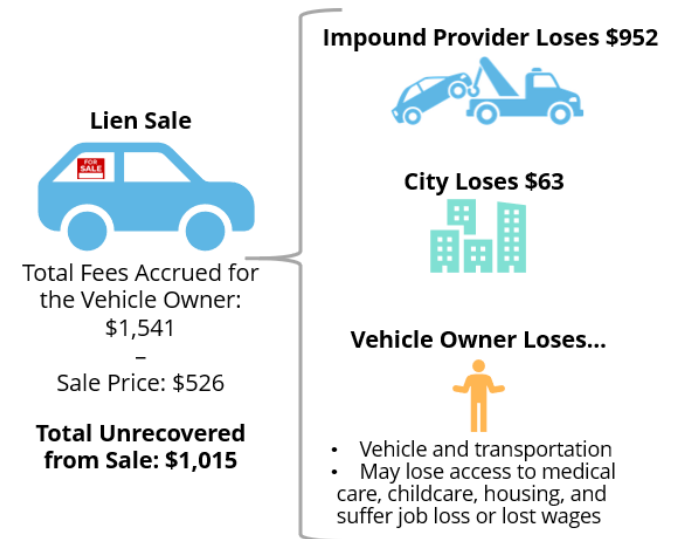
The San Diego Police Department (SDPD) is primarily responsible for overseeing the City’s towing program. Per City Council Policy 500-03, SDPD should provide annual updates regarding the City’s towing program to City Council and the public; however, **SDPD has not provided a comprehensive update since 2013.**

Council Policy 500-03 does not specify what information on the program and towing trends should be included in a report. However, we found several important trends and takeaways from recent towing practices that highlight program changes and potential effects to the City and residents. For example, we found:

- From FY2017 to FY2021, towing declined by 39 percent in the City;
- While the number of tows has been decreasing, the number of parking complaints has been increasing; and
- SDPD regularly benchmarks its towing and storage rates with other local jurisdictions and the City’s rates are the lowest compared to four other jurisdictions.

In addition, Councilmembers have expressed concern over the impacts the towing program has on vulnerable residents. We found that “**Disproportionate Impact Tows**”—expired registration over six months, 72-hour parking violations, and five or more unpaid parking citations—lead to increased likelihood of people losing their vehicles via lien sales, which can mean unrecovered costs for the City, the impound provider, and potentially severe impacts on some vehicle owners, as shown in **Exhibit 13**.

Exhibit 13: Lien Sales May Result in Costly Impacts to Multiple Parties



Source: Auditor generated based on review of SDPD’s towing manual, SDPD’s towing data, and *Towed into Debt*.

In early 2022, the City Council decided to postpone increases to the towing program’s administrative fees. According to figures provided by SDPD, we estimate this has resulted in a program subsidization of approximately \$1 million in foregone administrative revenue for FY2023.

We also found that SDPD has not historically calculated and reported the towing program’s full costs and revenues. This information should be included in future reports to City Council. We estimate that the City’s overall subsidy of the program is closer to approximately \$1.5 million. This is partly because approximately **27 percent of tows result in lien sales, which limit the City’s and impound providers’ ability to recover accrued costs.** We also found that the City’s top two towing reasons—expired registration over six months and 72-hour parking violations—are types of Disproportionate Impact Tows. These reasons are approximately **3 to 5 times more likely to result in a lien sale, and are another reason why the City’s towing program is not currently cost recoverable.**

Finding 1, continued

Given the City Council’s concern over the impacts of the program and the significant financial, equity, and quality of life implications we found exist, City leadership should evaluate its options and articulate a policy direction on enforcement and fees for the towing program going forward. We found **other agencies have employed alternative towing models and practices that City policymakers could consider to balance the City’s competing goals**—for example, a “text before tow” option, updating or restructuring of fees, alternative enforcement efforts such as “booting,” or community service instead of fees.

To inform the City’s decision making, **SDPD should periodically and publicly report on numerous aspects of the program’s financial, equity, and quality of life implications for the City and its residents.** In addition to providing general information on the towing program and overall trends, SDPD should inform City leadership on how the towing program disproportionately affects vulnerable residents.

Finding 2: Internal oversight of the towing program is strong and SDPD should continue to conduct performance evaluations in compliance with the City’s contract guide.

We found that SDPD has implemented strong internal controls over the towing program. The City’s third-party vendor for data management and dispatching, AutoReturn, allows for timely monitoring of the contracted tow and impound providers. We found that AutoReturn accurately tracks and calculates towing fees. This provides **reasonable assurance that tow and impound providers are following policies and procedures set by the City.**

One area for improvement is contractor performance evaluations. The City’s contract compliance guide states that SDPD should conduct contractor evaluations on a quarterly basis and provide the evaluations to the Purchasing and Contracting Department and to the contractors. The guide states that contractors should be evaluated on the service they are responsible for providing, how they are supposed to provide it, and if they met the City’s requirements. The evaluations may be considered in evaluating future proposals and bids for contract award.

However, from FY2019 to FY2022, we found that SDPD had not been conducting contractor evaluations as required by the contract guide. During the course of this audit, in late FY2022, SDPD began conducting the evaluations, which met the contract guide’s requirements. Specifically, SDPD evaluated its contractors based on the performance standards within the towing manual, such as impound response times, tow truck driver requirements, customer service to citizens, and data entry.

Monitoring and tracking performance is key to assessing program outcomes and ensuring contract compliance. Performance evaluations can help improve vendor performance and may minimize the City’s risk of contracting with previously poor-performing vendors in future contract solicitations.

Exhibit 16: SDPD Adheres to Best Practices for Contract Monitoring in Its New Vendor Performance Monitoring Forms but had Not Yet Shared Vendor Performance Forms with P&C Until FY2023

SDPD reviews the vendor's performance of the following checked boxes:	
Conformance to contract requirements	<input checked="" type="checkbox"/>
Forecasting and controlling costs	<input checked="" type="checkbox"/>
Adherence to schedules, including administration	<input checked="" type="checkbox"/>
Cooperative behavior and commitment to customer satisfaction	<input checked="" type="checkbox"/>
Reporting into databases	<input checked="" type="checkbox"/>
Integrity and business ethics	<input checked="" type="checkbox"/>
Business-like concern for the interest of the customer	<input checked="" type="checkbox"/>
SDPD had not yet:*	
Shared vendor evaluations with Purchasing and Contracting	<input type="checkbox"/>

Source: Auditor generated based on the OCA’s 2015 Performance Audit of Citywide Contract Oversight and SDPD’s Quarter 1 FY2023 Compliance Evaluations.

What OCA recommends

We make 4 recommendations to address the issues outlined throughout the report. Key recommendation elements include:

- **SDPD should present a comprehensive report on the towing program’s operations** to the Public Safety and Livable Neighborhoods Committee and/or City Council prior to each of the City’s comprehensive user fee studies, as well as prior to issuing or renewing an RFP for relevant towing and/or impound contracts.
- Prior to presentation of the next towing program update, SDPD should work with City leadership to present a new or updated Council Policy 500-03 for City Council’s approval. This **policy should outline specific information that should be included in the report.**
- **SDPD should solicit, compile, and report information to City Council on potential policy options for the towing program**, with input from other City departments such as City Treasurer’s, Homelessness Strategies, and others.
- SDPD should **continue to conduct quarterly performance evaluations** for its licensed towing and impound contractors and submit these forms to the Purchasing and Contracting Department for monitoring.

City Management agreed with 3 of the 4 recommendations. SDPD did not agree to compile and report information on alternative policy options.

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