



# MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT  
Internal Audit Division

## INTERNAL AUDIT REPORT

To: Jorge M. Gonzalez, City Manager  
VIA: Kathie G. Brooks, Budget and Performance Improvement Director  
From: James J. Sutter, Internal Auditor

Date: June 29, 2009  
Audit: Choice Environmental Services, Inc.  
Period: June 2006 to March 2009

This report is the result of a scheduled audit of the Roll-Off Fee Returns for Choice Environmental Services, Inc. (Choice)

### INTRODUCTION

A roll-off is defined as a container with a minimum capacity of ten cubic yards designed to be transported by a motorized vehicle. They are typically used for the purpose of removing construction debris, which include rock, metal and other materials used in connection with a construction project or for the removal of large quantities of trash and bulky waste.

Approximately thirty companies currently possess business tax receipt to operate Roll-offs within the City's boundaries. In return, they are required to abide by the terms outlined in the City Code. This includes the remittance of franchise fees calculated by using the applicable percentage of Miami Beach gross receipts. Reports are to be submitted to the City's Finance Department by the end of the subsequent month. Effective October 2008 the Roll-off franchise fee was increased from 16% to 18%.

Choice has been operating in the City of Miami Beach since 2002. They offer a range of waste removal services from commercial solid waste to construction and the rental of roll-off containers.

### BACKGROUND

Previously, Internal Audit conducted an audit of Choice for the period of January 2002 to September 2005. Our audit report dated December 14, 2006 produced an audit assessment of \$2,650.33 which was paid on April 4, 2007. This assessment was attributed to under reporting of roll-off revenues due.

### OVERALL OPINION

Choice has not fully complied with certain provisions of the City Code's during the audit. Some gross receipts were not reported and the franchise fees were not paid to the City. The following items were noted during audit:

- Gross receipts in the amount of \$191,774.32 were not reported resulting in \$34,325.31 in franchise fees and interest due to the City. This was attributed to taxes collected on recycled materials for one account in the City of Miami Beach. Hence, while collecting the taxes, Choice failed to remit the franchise fee to the City.

- Choice has not filed a list of accounts upon renewal and the required CPA statement of gross receipts. A listing of accounts was provided during the audit.
- Choice has submitted the certificate of liability insurance.
- Choice has not submitted a business tax receipt for Recycling waste materials.

**PURPOSE**

The purpose of this audit is to determine whether all roll-off waste contractor billings were correct, and whether all City revenues were correctly calculated, received timely and accurately recorded by the City, and the contractor was in compliance with designated sections of the City Code and related Ordinances.

**FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

1. Finding – Unreported Gross Receipts  
 City Code Section 90 - 221 defines gross receipts as *"the entire amount of the fees collected by the licensee, exclusive of taxes as provided by law, whether wholly or partially collected, within the city, for solid waste removal and disposal"*. Therefore, all monies collected by the Roll-off waste contractor from Miami Beach service addresses, should be included in reported gross receipts.

Out of \$1,413,439.11 audited gross receipts, Choice paid the City of Miami Beach \$200,800.07 in franchise fees for \$1,221,664.79 in reported gross receipts. During 2008, Choice collected an additional \$191,774.32 in gross receipts for services within the city limits and did not report these amounts in compliance with the City Code. This was attributed to taxes collected on recycled materials for one account in the City of Miami Beach. Hence, while collecting the taxes, Choice failed to remit the franchise fee to the City. Choice has changed their procedures to prevent this type of error.

The following table summarizes the amount due from Choice for our audit period:

	2006 (Jun to Dec)	2007	2008	2009 (Jan to Mar)	TOTAL
Audited Gross Receipts	\$10,854.01	\$228,078.04	\$1,055,711.16	\$118,795.90	\$1,413,439.11
Less Report Gross Receipt	10,854.01	228,078.04	863,936.84	118,795.90	1,221,664.79
Unreported Revenues	0.00	0.00	191,774.32	0.00	191,774.32
Roll-off fees due	0.00	0.00	32,612.68	0.00	32,612.68
Interest	0.00	0.00	1,212.63	0.00	1,212.63
Late fees	0.00	0.00	500.00	0.00	500.00
Total Due	\$0.00	\$0.00	\$34,325.31	0.00	\$34,325.31

Recommendation(s)

Choice should remit the amount of \$34,325.31 to the City. We recommend that the company continue to monitor the effectiveness of their procedural change to ensure the proper gross receipts amounts are remitted to the City.

2. Finding – Required Reporting

Choice did not submit the following documents in accordance with the listed City Code sections during the audit period:

- a. Section 90-278 (3) states " *The licensed Roll-off waste contractor shall provide the city manager and the sanitation director with a current list of the names and addresses of each account, upon initial application and upon application for renewal of its business license, the frequency of service, the permit number and capacity of each Roll-off container or construction dumpster as per account and the address serviced by each Roll-off container or construction dumpster.*" Choice has not provided the city manager and the sanitation director with a current list of names and addresses of each account, upon the initial application and upon application for renewal of its business license, the frequency of service, the permit number and capacity of each Roll-off container. However, a listing of customer names was provided during the audit.
- b. Section 90 - 278 (4) states "*The licensee shall on or before 30 days following the close of its fiscal year deliver to the finance director and the city manager a statement of its annual gross receipts generated from accounts within the city certified by an independent certified public accountant reflecting gross receipts within the city for the preceding fiscal year*". Choice did not provide a statement of its annual gross receipts generated from accounts within the city certified by an independent public accountant during the audit period.
- c. City Code Section 90 -196 lists the insurance coverage that must be maintained by Roll-off waste contractors. Choice provided proof of the required insurance during the audit.
- d. City Code Section 90-192 states that a business tax receipts for private recycling waste contractors is required for recycling services. Choice did not have the required business tax receipt for the audit period.

Recommendation(s)

Effective October 1, 2008 the ordinance requires that contractors having annual gross receipts reported to the City over \$200,000 shall, on or before 60 days following the close of their fiscal year, deliver to the Finance Department a statement of annual gross receipts generated from accounts within the city certified by an independent certified public accountant reflecting gross receipts within the city for the preceding fiscal year. Choice must comply with the designated sections of the City Codes by submitting a list of accounts annually and submit certified statement of gross receipts providing their annual returns exceed the required amount. In addition, Choice will have to add "Recycling" to their existing business tax receipt which requires filling out an application fee of \$545.00. The City's Finance Department is currently assessing any back recycle business tax receipt owed by Choice.

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**EXIT CONFERENCE**

On June 15, 2009 we met with Choice Environment regarding the audit findings. They stated that in lieu of remitting the franchise fees to the City, they will credit the customer that was charged in error and provide the City with proper documentation of proof payment. In addition, Choice stated that they will pay the City the application fee and any interest and penalty for operating without a recycle business tax receipt.

The Finance Department will issue City bills for the above items pending final resolution.

JJS: CD

Audit performed by Carmin Dufour

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cc: Fred Beckmann., Public Works Director  
Alberto Zamora, Sanitation Director  
Patricia Walker, Chief Financial Officer  
Natasha Rojas, Choice Services, Inc. (Assistant Controller)