



MIAMIBEACH

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: October 6, 2008
Audit: Southern Waste System, LLC Roll-Off Fees
Period: June 2005 to June 2008

This report is the result of a scheduled audit of the Roll-Off Fee Returns for Southern Waste System, LLC. (SWS)

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 receipts 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 equaling 16% of Miami Beach gross receipts to the City's Finance Department by the end of the subsequent month, filing various reports, maintaining sufficient insurance, etc.

BACKGROUND

Previously, Internal Audit conducted an audit of SWS for period of October 2002 to May 2005. Our audit report dated August 31, 2006 produced an audit assessment of \$64,943.48. This assessment was attributed to under reporting of roll-off revenues. On August 23, 2006 SWS paid the total amount of the audit assessment.

OVERALL OPINION

SWS did not fully comply with the City Code's reporting provisions during the audit period. Gross receipts were under reported and franchise fees were not paid to the City. The following items were noted during our audit:

- Gross receipts in the amount of \$67,193.35 were not reported, therefore SWS owes the City \$12,394.25 in roll-off franchise fees (including interest charges).
- SWS has not filed a list of accounts and the required CPA annual statement of gross receipts.

- SWS has submitted the certificate of liability insurance.

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 waste contractor for Miami Beach service addresses, including fuel surcharges and overloading fees, should be included in reported gross receipts. During our audit period, SWS did not report all gross receipts on returns filed with the City of Miami Beach. We noted gross receipts for fuel surcharges in the amount of \$39,235.42 that were not paid from June 2005 to June 2008. In addition, gross receipts for dumpster/grapple, delivery, dry run, relocate, disposal, and over load fees totaling \$27,957.93 were not paid as well. Therefore, SWS owes the City of Miami Beach franchise fees for those gross receipts for roll off waste removal services which were not reported in compliance with the City Code. The contractor was not aware that these fees should have been included in gross receipt reported.

In some instances, grapple services were charged at per unit pricing without franchise fee being collected. We found that this charge is for grappling services and it is subject to the franchise tax. We place those instances under the dumpster / grappling category in the table below. Furthermore, some roll-off container charges contained a separate disposal fee rather than combining the fee into one roll-off charge. SWS stated that this disposal fee is a fee to the Miami transfer station or Miami landfill. This charge is included in the gross receipts definition under the City's code ordinances. By separating these charges, SWS did not pay the entire franchise fee on the total charge.

The following table summarizes the total unreported gross receipts by category:

Category	2005 Jun-Dec.	2006 Jan-Dec.	2007 Jan-Dec.	2008 Jan-Jun.	TOTAL
Fuel surcharges fees	\$9,115.90	\$14,573.55	\$8,932.98	\$6,612.99	\$39,235.42
Dumpster / grapple	0	5,936.18	3,200.00	5,670.00	14,806.18
Relocate, delivery and Miscellaneous	2,975.00	5,225.00	2,400.00	1,525.00	12,125.00
Disposal, overload fees	20.00	160.00	250.00	596.75	1,026.75
Total under reported	\$12,110.90	\$25,894.73	\$14,782.98	\$14,404.74	\$67,193.35

The following table summarizes the audited gross receipts as compared to reported gross receipts with the amount of franchise tax due:

	2005 Jun-Dec.	2006 Jan-Dec.	2007 Jan-Dec.	2008 Jan-Jun.	TOTAL
Audited Receipts	\$257,910.90	\$402,968.42	\$255,177.23	\$210,375.97	\$1,126,432.52
Less Reported Receipts	(245,800.00)	(377,073.69)	(240,394.25)	(195,971.23)	(1,059,239.17)
Unreported Gross Receipts	12,110.90	25,894.73	14,782.98	14,404.74	67,193.35
Roll-Off Fees Due (16%)	1,937.74	4,143.16	2,365.28	2,304.76	\$10,750.94
Interest Due	539.48	823.96	245.33	34.54	1,643.31
Total Franchise tax Due	\$2,477.22	\$4,967.12	\$2,610.61	\$2,339.30	\$12,394.25

Recommendation

SWS should report all gross receipts as per the City code. This includes but is not limited to fuel surcharges, delivery dry run, relocate, disposal, and over load fees. SWS should remit \$12,394.25 for taxes due for unreported gross receipts.

2. Finding – Required Reporting

SWS 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.”* SWS 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 tax receipt, the frequency of service, the permit number and capacity of each roll off container or construction dumpster. However, a list of accounts 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”.* SWS did not provide a statement of its annual gross receipts generated from accounts within the city certified by an independent public accountant reflecting gross receipts within the city for the preceding fiscal year.

Recommendation

SWS must comply with the designated sections of the City Codes and submit the correct amount of gross receipts, lists of accounts and certified annual statements of gross receipts.

Internal Audit Report
SWS Waste Removal, Inc. Roll-Off Fees
October 6, 2008

EXIT CONFERENCE

Audit findings were e-mailed on 09/24/08 to Anthony Badala, Operations Manager for Southern Waste Ltd. We received a response from SWS on 10/03/08 stating that a check has been made in the amount of \$12,394.25 and they have contacted a software programmer to include fuel surcharges and other items in the calculation of gross receipts.

JJS:CD

Audit performed by Carmin Dufour

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cc: Robert Middaugh Jr., Assistant City Manager
Fred Beckmann, Public Works Director
Alberto Zamora, Sanitation Director
Patricia Walker, Chief Financial Officer
Anthony Badala, Southern Waste System LLC (Operations Manager)