

MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jimmy L. Morales, City Manager
VIA: Cintya Ramos, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: March 29, 2017
AUDIT: Lopefra Corp.
PERIOD: January 2014 to December 2016

This report is the result of a scheduled audit of the Roll-Off Fee Returns for Lopefra Corp. (Lopefra)

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 demonstrating that they operate Roll-offs within the City's boundaries. 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.

Lopefra's majority line of business is equipment rental, dump trucks, fill materials, and mason sand. In addition, Lopefra provides roll-off waste services.

A review of the company's invoices showed that franchise fees were charged and collected throughout the audit period. Lopefra's records showed that franchise fees were remitted timely to the City of Miami Beach. In addition, we reviewed and noted no discrepancies with confirmations with Lopefra customers who paid for roll-off services within the City. The following gross receipts were reported and fees paid during the audit period.

| | 2014 Oct-Dec. | 2015 Jan-Dec. | 2016 Jan-Dec. | Totals |
|----------------------------|------------------|------------------|------------------|----------------|
| Audited Gross Receipts | \$451,293.65 | \$420,488.90 | \$432,592.18 | \$1,304,374.73 |
| Total Roll-off Fees (Paid) | \$81,232.86 | \$75,688.00 | \$77,866.59 | \$234,787.45 |

BACKGROUND

Previously, Internal Audit conducted an audit of Lopefra for the period of October 2010 to December 2014. Our audit report dated February 26, 2014 produced no audit assessment. A review of the company's invoices showed that franchise fees were charged and collected throughout the audit period Miami Beach.

OVERALL OPINION

Lopefra has generally complied with the provisions of the City Code's during the audit period. The following item were noted during our audit:

- Verified gross receipts were properly reported by Lopefra; therefore no additional fees are owed.
- Lopefra has not filed list of accounts, however a listing of customer names was provided during the audit.
- Lopefra has not filed the required CPA annual statement of gross receipts for 2014, 2015 and 2016.
- Lopefra needs to enter invoice numbers when reporting the monthly Roll-Off Franchise Fee Return to the City in order to provide a better audit trail.

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.

SCOPE

1. Review waste contractor's books and records to confirm that their billings were correct; their gross receipts were correctly calculated and support the monthly franchise fee submitted to the City.
2. Confirm that the private waste contractor timely sent the City the required reports in adherence with the terms listed in the City Code.
3. Confirm that the private waste contractor is timely sending the required Monthly Report of Gross Receipts along with their remittance to the City.
4. Confirm that the private waste contractor timely obtained their required annual business tax receipt.
5. Confirm that the private waste contractor timely submitted their annual Certified Public Accountant (CPA) Statements of Gross Receipts to the City (If applicable).
6. Confirm that the private waste contractor has obtained the required insurance in adherence with Section 90-196 of the City Code.
7. Confirm that all monthly Roll-off Fee Return and were timely and correctly recorded in the City's Financial System.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

1. Finding – Required reporting

Lopetra 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.*" Lopetra 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*". Lopetra 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.

Effective October 1, 2008 the ordinance requires that contractors having an annual gross receipts reported to the City over \$200,000.00 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. For the calendar year 2014, 2015 & 2016, Lopetra exceeded the threshold amount for requiring certified statements of gross receipt and failed to provide certified annual statement for entire audit period.

Recommendation (s)

Lopetra must comply with the designated sections of the City Codes by submitting reports to the City Manager and Sanitation Director listing of accounts and certified annual statements of gross receipts for the year exceeding the reported threshold.

2. Finding – Required Maintenance

Lopetra needs to enter invoice numbers when reporting the monthly Roll-Off Franchise Fee Returns in order to provide a better audit trail so that the audit would not be hindered.

Recommendation(s)

Work orders (invoices) should be entered into the Roll-Off Franchise Fee Returns report. Monthly reports should be printed with invoice numbers and attached to each return filed.

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Lopefra Corp.
March 29, 2017

EXIT CONFERENCE

Audit findings were e-mailed on March 27, 2017 to Lopefra. We confirmed their agreement to our findings on March 29, 2017.

JJS: CD

Audit performed by Carmin Dufour

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cc: Eric Carpenter, Director of Public Works
Alberto Zamora, Sanitation Director
John Woodruff, Chief Financial Officer
Rosemary L. Hartigan, Lopefra Corp. (In-House Counsel)