

MIAMI BEACH

INTERNAL AUDIT REPORT

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov
Office of Internal Audit
Tel: 305-673-7020

TO: Jimmy L. Morales, City Manager
VIA: Mark D. Coolidge, Interim Internal Auditor 
FROM: Carmin Dufour, Tax Auditor

DATE: April 24, 2018
AUDIT: G7 Holdings Inc. d/b/a Garbageman.com Roll-off Fee Revenues Audit
PERIOD: June 2016 to October 2017

This report is the result of a scheduled audit of the roll-off fees charged, collected and remitted by G7 Holdings Inc. d/b/a Garbageman.com. In addition, the auditee's compliance with selected provisions in the City Code concerning obtaining annual business tax receipts, filing required reports, etc. were also reviewed.

INTRODUCTION

A roll-off can be 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.

Twenty-two companies currently possess business tax receipts authorizing them to operate roll-offs within the City's boundaries. They are required to abide by the terms outlined in the City Code which among other terms includes the remittance of 18% roll-off fees of the contractor's total applicable Miami Beach gross receipts with any fees deemed not paid subject to penalties of 10% per month up to a maximum of 50% plus interest of 1% per month. The term gross receipts mean the entire amount of the fees collected by the contractor (whether wholly or partially collected) for solid waste collection and disposal within the City and including, without limitation, but excluding any taxes, and gross receipts from servicing roll-off and portable containers.

Monthly reports are to be submitted to the City's Finance Department by the end of the subsequent month of the gross receipts generated during the previous month within the City. For example, October 2017's report was due by November 30, 2017; November 2017's report was due by December 31, 2017 and so on. In addition, the contractor is to deliver to the City's Finance Department a statement of annual gross receipts generated from accounts within the City for the preceding fiscal year, certified by an independent certified public accountant.

One of these authorized roll-off companies is G7 Holdings Inc. d/b/a Garbageman.com. Their main offices are located at 8600 NW 36th Avenue in Miami, Florida. Although they offer a variety of services for businesses and residents, their primary source of revenues is the rental of roll-offs.

PREVIOUS AUDIT RESULTS

The Office of Internal Audit previously conducted an audit of G7 Holdings Inc. d/b/a Garbageman.com Inc. for the period of October 2013 to June 2015 which did not result in an assessment as it was verified that tested roll-off fees were properly charged and collected. In addition, it was confirmed that these roll-off fees were remitted timely to the City of Miami Beach.

OVERALL OPINION

This audit was scheduled as a result of our office's monitoring of monthly franchise fees filings according to City Code Section 90-278. This account had not been recently filing returns. Historically the lack of non-filing of franchise returns has led to the discovery of not reporting revenues to the City. Therefore, we scheduled our audit to determine whether this account is in compliance.

G7 Holdings Inc. d/b/a Garbageman.com has not complied with the City Code as it relates to reporting requirements for roll-off contractors. The following items were noted during our audit:

- Gross receipts in the amount of \$55,360.00 were not reported resulting in the owing of a total of \$12,804.62 in roll-off franchise fees, interest and penalties to the City.
- G7 Holdings Inc. d/b/a Garbageman.com has not filed an annual listing of accounts in adherence with City Code Section 90-278 (3)'s reporting requirements; however, a listing was provided during the audit.

PURPOSE

The purpose of this audit is to determine whether tested roll-off waste contractor billings and filings were correct; whether tested remittances were correctly calculated, timely received and accurately recorded by the City; and whether the contractor was in compliance with selected City Code requirements.

SCOPE

1. Confirm that G7 Holdings Inc. d/b/a Garbageman.com maintained sufficient records to verify that their billings were correct; their gross receipts were correctly calculated and support the monthly fees submitted to the City.
2. Confirm that G7 Holdings Inc. d/b/a Garbageman.com is timely submitting the required Monthly Reports of Gross Receipts along with their corresponding full remittances to the City.
3. Confirm that G7 Holdings Inc. d/b/a Garbageman.com timely obtained their required annual business tax receipts during the audit period.

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4. Confirm that G7 Holdings Inc. d/b/a Garbageman.com has complied with City Code Section 90-278's reporting requirements during the audit period.
5. Confirm that G7 Holdings Inc. d/b/a Garbageman.com has obtained the required insurance in adherence with City Code Section 90-196 during the audit period.
6. Confirm that all tested G7 Holdings Inc. d/b/a Garbageman.com monthly roll-off fee returns were accurately recorded in the City's Financial System during the audit period.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

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, including dump fees, fuel surcharges, dry run, overload, extra month fees, relocation and waiting time charges are to be included in reported gross receipts.

Of the sixteen (16) months comprising the June 2016 through October 2017 audit period, G7 Holdings Inc. d/b/a Garbageman.com (Garbageman.com) did not file returns for seven (7) months. Testing subsequently determined that Garbageman.com collected franchise fees from their clients during these months but no monies were remitted to the City. Therefore, the amount of \$13,629.78 in franchise fees, interest and penalties for unreported roll-off waste removal services is owed. The following table summarizes the Office of Internal Audit's calculations and the total amount due from Garbageman.com for the audit period:

	2016 (Jun-Dec.)	2017 (Jan-Oct.)	TOTAL
Audited Gross Receipts	\$58,220.00	\$145,410.00	\$203,630.00
Less Reported Gross Receipts	(\$58,220.00)	(\$90,050.00)	(\$148,270.00)
Unreported Revenues	\$0.00	\$55,360.00	\$55,360.00
Roll-Off Fees Due	\$0.00	\$9,964.80	\$9,964.80
Interest	\$0.00	\$348.84	\$348.84
Penalties	\$0.00	\$3,316.14	\$3,316.14
Total Due	\$0.00	\$13,629.78	\$13,629.78

Recommendation(s):

Although Garbageman.com paid the "Roll-Off Fee" Due amount of \$9,964.80 during the audit, they have yet to remit the interest and penalties totaling \$3,664.98 relating to the unreported revenues. In addition, Garbageman.com should file accurate and complete returns with the City each month accompanied by the full amount due.

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2. Finding – Required Reporting

City Code 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.*” Garbage.com 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.

Recommendation(s):

Garbage.com should comply with City Code Section 90-278 (3) and timely submit the required reports to the City Manager and Sanitation Director.

EXIT CONFERENCE

This audit report was e-mailed to G7 Holdings Inc. d/b/a Garbage.com’s management whereby they agreed to the findings contained herein.

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cc: Eric Carpenter, Director of Public Works
Alberto Zamora, Sanitation Director
John Woodruff, Chief Financial Officer
Greg Davis, G7 Holdings, Inc. d/b/a Garbage.com (Owner)