

MIAMI BEACH

INTERNAL AUDIT REPORT

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov
Office of Internal Audit
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TO: Jimmy L. Morales, City Manager
VIA: Mark D. Coolidge, Interim Internal Auditor
FROM: Carmin Dufour, Tax Auditor



DATE: April 8, 2019

AUDIT: Waste Management Inc. of Florida's Reported Gross Receipts and Remitted Fees Audit

PERIOD: January 1, 2016 - December 31, 2018

This report is the result of a regularly scheduled audit of the franchise, public right-of-way, sustainable initiative and roll-off fees charged, collected and remitted by Waste Management Inc. of Florida during the 36-month audit period. In addition, the auditee's compliance with selected provisions in the City Code concerning obtaining their annual business tax receipts, filing required reports, etc. were also reviewed.

INTRODUCTION

Section 90-229 of the City Code paraphrased stated that the City shall not authorize more than five (5) franchise waste contractors for residential and commercial solid waste collections and disposal. These contractors provide waste collection and recycling services for commercial and residential for multi-family residences with eight (8) or more units in the City of Miami Beach. According to the Non-Exclusive Franchisee Waste Contractor Agreement, the waste contractor is granted the franchise and is required to undertake and perform each and every obligation set forth in this Agreement. The "Service Agreement" covers the provision of additional solid waste collection and disposal and recycling services at certain City owned facilities and properties. The Service Agreement is intended to have a term that will run concurrent with the terms of the Non-Exclusive Franchise Waste Contractor Agreement.

In addition, City Code Section 90-221 requires each franchise waste contractor to pay the City a franchise fee consisting of a percentage of the licensee's total monthly gross receipts established by resolution of the City Commission. The term gross receipts means 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. Currently, the authorized waste contractors are to remit 18% of its applicable gross receipts in commercial waste franchise fees, 2% in public right-of-way fees and 1.5% in sustainable initiative fees.

Furthermore, Section 90-223 requires the franchise waste contractor to deliver to the City's Finance Department, on or before the last day of the month, a true and correct monthly report of gross receipts generated during the previous month from accounts within the City. The monthly report shall include the customer names, service addresses, account numbers and the actual amount of solid waste and recyclable materials collected from each customer. 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. Furthermore, Section 90-225 summarized states that any franchise waste contractor who fails to remit any franchise fees timely shall pay a penalty of ten-

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percent penalty per month with a maximum of 50% plus interest of 1% per month.

There are currently the following two (2) authorized franchise waste contractors authorized to operate in Miami Beach: Waste Connections, Inc. and Waste Management Inc. of Florida. In addition, there are twenty-two companies including Waste Management Inc. of Florida that possess business tax receipts authorizing them to operate roll-offs within the City's boundaries. 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.

The following table provides a detailed breakdown of the fees remitted annually by Waste Management Inc. of Florida for commercial waste, public right-of-way, sustainable initiatives and roll-off fees during the 36-month audit period:

	2016 (Jan-Dec.)	2017 (Jan-Dec.)	2018 (Jan-Dec.)	Total
18% Commercial Waste	\$2,165,343.12	\$2,496,059.48	\$2,538,220.12	\$7,199,622.72
2% Public Right-of-Way	\$216,661.26	\$247,958.26	\$253,642.36	\$718,261.88
1.5% Sustainable Initiative	\$207,746.88	\$246,702.52	\$257,929.47	\$712,378.87
18% Roll-Off Fees	\$327,619.41	\$464,370.74	\$521,377.35	\$1,313,367.50
Total Fees Remitted	\$2,917,370.67	\$3,455,091.00	\$3,571,169.30	\$9,943,630.97

BACKGROUND

Previously, the Office of Internal Audit conducted an audit of Waste Management Inc. of Florida for the period of January 2013 to December 2015. Our audit report dated June 27, 2016 resulted in an audit assessment of \$9,106.20 which was subsequently paid in full by the waste contractor and roll-off operator.

OVERALL OPINION

Testing confirmed that Waste Management Inc. of Florida remitted the correct amount of fees for commercial waste, public right-of-way, sustainable initiatives and roll-off fees based on the documents provided and customer confirmations received in adherence to the City Code and Service Agreement. Furthermore, it was verified that the waste contractor/roll-off operator timely obtained their annual business tax receipts and submitted the required certificate of liability insurance policies. Furthermore, Waste Management Inc. of Florida properly sent the City the required reports in adherence with the terms listed in the City Code which included their annual Certified Public Accountant (CPA) Statements of Gross Receipts. In summary, no material findings were noted as they were found to be compliant with the tested provisions.

PURPOSE

The purpose of this audit is to determine whether Waste Management Inc. of Florida accurately reported all tested months' gross receipts to the City; whether the corresponding franchise and roll-off fees were correctly calculated and remitted; whether the required reports were timely submitted; and whether the contractor was compliant with other tested sections of the City Code, related Ordinances and Service Agreement.

SCOPE

1. Review Waste Management Inc. of Florida's books and records to confirm that their billings were correct; and that their gross receipts were properly reported and support the monthly franchise fee, public right-of-way, sustainable initiative and roll-off fee payments remitted to the City.
2. Confirm that the franchise waste contractor timely submitted the required reports in adherence with the terms listed in the City Code which includes their annual Certified Public Accountant (CPA) Statements of Gross Receipts to the City, and that amounts reported therein agree with corresponding totals reported on the waste contractor's Monthly Reports of Gross Receipts.
3. Confirm that the franchise waste contractor is timely remitting any fees owed to the City each month.
4. Confirm that the franchisee waste contractor timely obtained their required annual City business tax receipts during the audit period.
5. Confirm that the Waste Management Inc. of Florida has obtained the required insurance in adherence with Section 90-223 of the City Code and the signed service agreement.
6. Confirm that all payments received were timely and correctly recorded in the City's Financial System.
7. Confirm that the franchise waste contractor is purchasing recycling bins for the City.

EXIT CONFERENCE

This audit report was e-mailed to Waste Management Inc. of Florida's management whereby they agreed to the contents contained herein.

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cc: Eric Carpenter, Assistant City Manager
Darrell Caldwell, Sanitation Department Director
John Woodruff, Chief Financial Officer
Stephen Zelitt, Waste Management Inc. of Florida