



# 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: November 5, 2010  
AUDIT: CNC Management Group Inc. (CNC)  
PERIOD: July 2007 to July 2010

This report is the result of a scheduled audit of the Roll-off Fee Returns for CNC Management Inc.

### 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. Effective October 2008 the Roll-off franchise fee was increased from 16% to 18%.

CNC has been operating in the City of Miami Beach since July 2008. Their majority line of business is Landscaping Maintenance Services, Landscape and design Services, Arbor care Services, Irrigation and Design Services, Mulching Services, Dump Truck Services, Hauling Services, Back Hoe Services, Transplanting Services. In addition, CNC provides roll-off waste service as a supplemental line of business.

### OVERALL OPINION

CNC has not fully complied with the City Codes as it relates to reporting requirements for Roll-off contractors. The following items were noted during our audit.

- Gross receipts in the amount of \$21,280.00 were not reported resulting in the owing of \$4,989.01 in delinquent roll-off franchise fees (interest and late filing charges) to the City.
- CNC has not filed list of accounts upon renewal. A listing of accounts was provided during the audit.

- CNC had not previously submitted the certificate of liability insurance. However, it was provided during the audit.

## 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 – *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 and overload should be included in reported gross receipts.

Out of twenty five months reviewed during our audit period, CNC had gross receipts within the City for eighteen months. No franchise taxes were filed to the City for these months. The gross receipts amounted to \$21,380. For the remaining months, there were no other collected gross receipts within the City. Therefore, the amount of

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\$3,830.40 in franchise fees was not remitted and they were out of compliance with the City Code.

The following table summarizes audited gross receipts and the amount due from CNC for our audit period:

	2009 (Jan-Dec.)	2010 (Jan-Jul.)	TOTAL
Audited Gross Receipts	\$14,440.00	\$6,840.00	\$21,280.00
Less Report Gross Receipt	0.00	0.00	0.00
Unreported Revenues	14,440.00	6,840.00	21,280.00
Roll-off fees due	2,599.20	1,231.20	3,830.40
Interest	270.85	37.76	308.61
Late Filing	550.00	300.00	850.00
Total Due	\$3,420.05	\$1,568.96	\$4,989.01

Footnotes: On October, 2008 as required pursuant to section 90-278 of the City Code, the franchise fee paid to the city by its franchise Roll-offs contractors was raised from 16% of the franchisee's total monthly gross receipts to 18% of said gross receipts.

Recommendation(s)

CNC should remit the amount of \$4,989.01. All subsequent roll-off fees return should be filed in a timely manner and remit any franchise tax due.

2. Finding – Required Reporting

CNC 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.*" CNC 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. City Code Section 90 -196 lists the insurance coverage that must be maintained by Roll-off waste contractors. CNC provided proof of the required insurance during the audit.

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Recommendation(s)

CNC must comply with the designated sections of the City Codes by submitting a list of accounts annually and insurance.

**EXIT CONFERENCE**

Audit findings were e-mailed on October 19, 2010 to CNC Management. We confirmed their agreement to our findings on November 3, 2010 and they are working on a payment agreement with the City's Finance Department.

JJS: CD

Audit performed by Carmin Dufour

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cc: Jorge Gomez, Assistant City Manager  
Fred Beckmann, Public Works Director  
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