



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

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

DATE: November 18, 2013
AUDIT: Eastern Waste Systems, Inc.
PERIOD: April 2010 to July 2013

This report is the result of a scheduled audit of the Roll-off Fee Returns for Eastern Waste System, Inc. (Eastern Waste)

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.

Eastern Waste has been in business since 2003. The majority line of their business is the waste removal services. Eastern Waste most frequently used method, involves the loading of construction debris with a claw directly from a pile into an attached container truck.

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 18% 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 Eastern Waste for period of March 2007 to March 2010. A review of the company's invoices showed that franchise fees were charged and collected throughout the audit period. Eastern Waste collected an additional amount of gross receipts for \$1,274.36 which was not reported. As a result, Eastern Waste paid \$214.60 immediately to the City.

OVERALL OPINION

Eastern Waste has not complied with certain provisions of the City Code's during the audit. The following items were noted during audit:

- Gross receipts in the amount of \$17,109.50 in the month of January 2011 were not reported due to a reporting error. Therefore, Eastern Waste owes the City \$3,866.09 in franchise fees. (Including interest)

- One outstanding city bill for placing a Roll-off without a permit for the amount of \$350.00 is outstanding.
- Eastern Waste has not filed an annual list of accounts, however a listing 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 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 Roll-off waste contractor from Miami Beach service addresses, including dumpster , dump fees, load of trees, over load, rubbish removal and fuel surcharges should be included in reported gross receipts.

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Out of \$1,078,073.49 audited gross receipts, Eastern Waste paid the City of Miami Beach \$190,973.52 in franchise fees for \$1,060,963.99 in reported gross receipts. Eastern Waste collected an additional amount of \$17,109.50 in gross receipts for the month of January 2011 and did not report these gross receipts due to a reporting error.

The following table summarizes the amount due from Eastern Waste for our audit period:

	2010 Apr-Dec.	2011 Jan-Dec.	2012 Jan-Dec.	2013 Jan-Jul.	TOTAL
Audited Gross Receipts	\$104,882.56	\$227,884.83	\$372,997.35	\$372,308.75	\$1,078,073.49
Less Report Gross Receipt	104,882.56	210,775.33	372,997.35	372,308.75	1,060,963.99
Unreported Revenues	0.00	17,109.50	0.00	0.00	17,109.50
Roll-off fees due	0.00	3,079.71	0.00	0.00	3,079.71
Interest	0.00	786.38	0.00	0.00	786.38
Total Due	\$0.00	\$3,866.09	\$0.00	\$0.00	\$3,866.09

Recommendation(s)

Eastern Waste must remit the amount of \$3,866.09. All subsequent Roll-off fees returns should be filed in a timely manner and remit any franchise tax due. Upon notification of the audit finding Eastern Waste paid the total amount of \$3,866.09.

2. Finding – *Outstanding City Bills*

Eastern Waste received a citation in December 2012 for placing a Roll-off in Miami Beach without first obtaining the required permit. Accordingly, a city bill was created totaling \$350.00, which remain outstanding.

Recommendation(s)

Eastern Waste must immediately pay this outstanding city bill of \$350.00. The waste contractor should obtain all Roll-off permits necessary for operating within the City of Miami Beach. Upon notification of the audit finding Eastern Waste paid the amount of \$350.00 for the violation.

3. Finding – *Required Reporting*

Eastern Waste did not submit the following documents in accordance with the listed City Code sections during the audit period:

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.*” Eastern Waste 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.

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Recommendation (s)

Going forward, Eastern Waste must comply with the designated sections of the City Codes by submitting reports to the City Manager and Sanitation Director listing of accounts on an annual basis.

EXIT CONFERENCE

Audit findings were e-mailed on 11/04/2013. We confirmed their agreement, and they paid the total amount due on 11/14/2013.

JJS: CD

Audit performed by Carmin Dufour

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cc: Eric Carpenter, Director of Public Works
Alberto Zamora, Sanitation Director
Patricia Walker, Chief Financial Officer
Michael C. Marzano, Comptroller for Eastern Waste