

MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jimmy Morales, City Manager
VIA: Cintya Ramos, Budget and Performance Improvement Director *CR*
FROM: James J. Sutter, Internal Auditor *JJS*
DATE: September 6, 2016
AUDIT: Eastern Waste Systems, Inc.
PERIOD: August 2013 to July 2016

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 twenty two 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.

Effective October 1, 2008 the ordinance requires that contractors having an annual gross receipts reported to the City over \$200,000 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.

BACKGROUND

Previously, Internal Audit conducted an audit of Eastern Waste for period of April 2010 to July 2013. A review of the company's invoices showed that Eastern Waste collected an additional amount of gross receipts for the amount of \$17,109.50 which was not reported due to a reporting error. As a result, Eastern Waste paid \$3,866.09 immediately to the City.

OVERALL OPINION

A review of the company's invoices showed that franchise fees were charged and collected throughout the audit period. The following table summarizes the audited gross receipts from roll-off services:

| | 2013 Aug-Dec. | 2014 Jan-Dec. | 2015 Jan-Dec. | 2016 Jan-Jul. | TOTAL |
|-------------------------|------------------|------------------|------------------|------------------|----------------|
| Audited Receipts | \$594,914.50 | \$2,157,617.71 | \$2,544,287.79 | \$745,766.68 | \$6,042,586.68 |
| Roll-Off Fees Due (18%) | \$107,084.61 | \$388,371.19 | \$457,971.80 | \$134,238.00 | \$1,087,665.60 |

Eastern Waste has generally complied with the provisions of the City Code's during the audit period. However, there are two findings relating to not reporting current list of accounts and providing annual statement of gross receipts certified by an independent certified public accountant.

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

Finding – Required Reporting

Eastern Waste 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.*" 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.

- 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*". Eastern Waste did not provide a statement of its annual gross receipts generated from accounts within the city certified by an independent public accountant reflecting gross receipts within the city for the preceding fiscal year. Effective October 1, 2008 the ordinance requires that contractors having an annual gross receipts reported to the City over \$200,000 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 2013, 2014, 2015 and 2016. Eastern Waste exceeded the threshold amount for requiring certified statements of gross receipt. However, CPA statements were provided during the audit.

Recommendation (s)

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 and certified annual statements of gross receipts for the year exceeding the reported threshold.

EXIT CONFERENCE

Audit findings were e-mailed on September 1, 2016 to Eastern Waste. We confirmed their agreement to our finding.

JJS: CD

Audit performed by Carmin Dufour

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cc: Eric Carpenter, Director of Public Works
Alberto Zamora, Sanitation Director
Allison Williams, Chief Financial Officer
Cary Salero, Comptroller for Eastern Waste