



# MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT  
Internal Audit Division

## INTERNAL AUDIT REPORT

TO: Jimmy L. Morales, City Manager  
VIA: Cintya Ramos, Budget and Performance Improvement Director   
FROM: James J. Sutter, Internal Auditor   
DATE: August 19, 2016  
AUDIT: G7 Holdings Inc. D/B/A Garbageman.com.  
PERIOD: July 2015 to May 2016

This report is the result of a scheduled audit of the Roll-Off Fee Returns for G7 Holdings Inc. D/B/A Garbageman.com.

### 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 twenty two 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.

Garbageman.com has been operating in the City of Miami Beach since October 2010. Their line of business is junk removal, debris removal and cleaning services.

### BACKGROUND

Previously, Internal Audit conducted an audit of Garbageman.com for period of October 2013 to June 2015. Our audit report dated August 27, 2015 produced an audit assessment of \$20,666.13 which was paid subsequently by Garbageman.com. Assessment was based on not filing returns.

### OVERALL OPINION

This audit was schedule as a result of our division's monitoring of monthly franchise fees filings according to Sec. 90-278. This account had not been filing returns on a timely basis. 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 confirm whether this account is in compliance. Garbageman.com has not complied with the City Codes as it relates to reporting requirements for Roll-off contractors.

The following item was noted during our audit. Gross receipts in the amount of \$19,790.27 were not reported resulting in the owing of \$3,562.25 in roll-off franchise fees excluding penalties and interest to the City.

## 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

### 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 should be included in reported gross receipts. Out of 11 months audited gross receipts, Garbageman.com did not file returns for 4 months. Garbageman.com collected franchise fees from their clients in the amount of \$3,562.25. However, it was not remitted to the City. Garbageman.com is not in compliance with the City Codes.

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

	2015 (Jul-Dec.)	2016 (Jan-May)	TOTAL
Audited Gross Receipts	\$21,443.43	\$32,380.56	\$53,823.99
Less Report Gross Receipt	10,403.16	23,630.56	34,033.72
Unreported Revenues	11,040.27	8,750.00	19,790.27
Roll-off fees due	1,987.25	1,575.00	3,562.25
Interest	195.72	31.50	227.22
Penalties	993.63	157.50	1,151.13
Total Due	\$3,176.60	\$1,764.00	\$4,940.60

\*During the audit Garbageman.com paid \$3,562.25 for the unreported revenues.

Recommendation(s)

Garbageman.com paid the roll-off fees once notified during the audit. However, they must pay the interest and penalties totaling to \$1,378.35. Going forward, monthly reports with supporting revenues earned should be filed on a monthly basis. If Garbageman.com continues not to pay the City of Miami Beach the franchise fees collected from service addresses within the City, it may result in the termination of their Business Tax Receipt.

**EXIT CONFERENCE**

Audit findings were emailed on August 18, 2016 to Garbageman.com. We confirmed their agreement to our finding.

JJS: CD

Audit performed by Carmin Dufour

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cc: Eric Carpenter, Assistant City Manager  
Alberto Zamora, Sanitation Director  
Allison Williams, Chief Financial Officer  
Greg Davis, G7 Holdings, Inc. D/B/A Garbageman.com (Owner)