
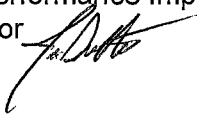


MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jimmy L. Morales, City Manager
VIA: John Woodruff, Budget and Performance Improvement Director 
FROM: James J. Sutter, Internal Auditor 
DATE: August 27, 2015
AUDIT: G7 Holdings Inc. D/B/A Garbageman.com.
PERIOD: October 2013 to June 2015

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 2010 to February 2012. Our audit report dated April 9, 2012 produced an audit assessment of \$2,027.27 which was paid 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 recently filing returns. 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 items were noted during our audit:

- Gross receipts in the amount of \$100,411.78 were not reported resulting in the owing of \$20,666.13 in roll-off franchise fees and interest to the City.
- Garbage.com 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 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, overload, extra month fees, relocation and waiting time charges should be included in reported gross receipts.

Out of 21 months audited gross receipts, Garbageman.com did not file returns to the City for the entire audited period. Garbageman.com collected franchise fees from their clients. However, it was not remitted to the City.

Therefore, the amount of \$18,074.12 in franchise fees for roll-off waste removal services within the city limits was not reported. Garbageman.com is not in compliance with the City Codes. The following table summarizes audited gross receipts and the amount due from Garbageman.com for our audit period:

	2013 Oct.-Dec.	2014 (Jan-Dec.14)	2015 (Jan-Jun.15)	TOTAL
Audited Gross Receipts	\$14,190.00	\$54,361.78	\$31,860.00	\$100,411.78
Less Report Gross Receipt	0.00	0.00	0.00	0.00
Unreported Revenues	14,190.00	54,361.78	31,860.00	100,411.78
Roll-off fees due	2,554.20	9,785.12	5,734.80	18,074.12
Interest	405.51	944.65	191.85	1,542.01
Late fees	150.00	600.00	300.00	1,050.00
Total Due	\$3,109.71	\$11,329.77	\$6,226.65	\$20,666.13

2. Finding – Required Reporting

Garbageman.com 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.*" Garbageman.com 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.

Recommendation(s)

Garbageman.com must remit the amount of \$20,666.13 for franchise fees relating to the unreported gross receipts. 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. In addition, Garbageman.com 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.

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EXIT CONFERENCE

Audit findings were e-mailed on August 21, 2015 to Mr. Greg Davis (Garbageman.com). We communicated with Mr. Davis on August 24, 2015 and he concurred with the audit assessment.

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
Greg Davis, G7 Holdings, Inc. D/B/A Garbageman.com (Owner)