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: April 9, 2012
Audit: G7 Holdings Inc. D/B/A Garbageman.com
Period: October 2010 to February 2012

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

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.

OVERALL OPINION

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 $9,700.00 were not reported resulting in the owing of $2,027.27 in roll-off franchise fees 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

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.

   Garbageman.com incurred revenues earned in the City of Miami Beach for five months (October 2011 to February 2012) resulting in $9,700.00 of unreported gross receipts. Therefore, the amount of $1,746.00 in franchise fees for roll-off waste removal services within the city limits was not reported. Garbageman.com was not in compliance with the City Code.

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

	2010 Oct-Dec.	2011 Jan-Dec.	2012 (Jan-Feb)	TOTAL
Audited Gross Receipts	0.00	$39,595.64	$3,200.00	$42,795.64
Less Report Gross Receipt	0.00	33,095.64	0.00	33,095.64
Unreported Revenues	0.00	6,500.00	3,200.00	9,700.00
Roll-off fees due	0.00	1,170.00	576.00	1,746.00
Interest	0.00	28.98	2.29	31.27
Late fees	0.00	150.00	100.00	250.00
Total Due	$0.00	$1,348.98	$678.29	$2,027.27

Recommendation(s)
Garbageman.com must report all gross receipts as per the City code. This includes but is not limited to dump fees, extra month fees, fuel surcharges, dry run, overload, relocation and waiting time charges. On 03/28/2012, Garbageman.com paid the amount of $ 1,746.00 for franchise fees due for unreported gross receipts. However, there is a remaining balance of $281.27 that must be paid for late fees and interest.

EXIT CONFERENCE
Audit findings were e-mailed on 04/02/2012. We confirmed their agreement to our findings on 04/09/2012.

JJS: CD
Audit performed by Carmin Dufour

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cc: Duncan Ballantyne, Assistant City Manager
Fred Beckmann, Public Works Director
Alberto Zamora, Sanitation Director
Patricia Walker, Chief Financial Officer
Greg Davis, G7 Holdings, Inc. D/B/A Garbageman.com (Owner)