



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: February 18, 2009
AUDIT: General Hauling Service, Inc.
PERIOD: January 2006 to August 2008

This report is the result of a scheduled audit of the Roll-off Fee Returns for General Hauling Services, Inc.

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 occupational licenses 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 16% of Miami Beach gross receipts to the City's Finance Department by the end of the subsequent month, filing various reports, and maintaining sufficient insurance.

General Hauling's provides roll-off waste services and have been in South Florida since 1945. Their roll-off service includes delivery, hauling to the disposal site and the disposal of construction debris at a licensed facility.

OVERALL OPINION

General Hauling has not fully complied with certain provisions of the City Code's during the audit. As a result, some gross receipts were not reported and the franchise fees were not paid to the City. The following items were noted during audit:

- Gross receipts in the amount of \$137,048.88 were not reported resulting in \$25,244.10 in franchise fees and interest due to the City. The majority (92%) of this underreporting was attributed to miscoding to other municipalities. General Hauling has changed their procedures to prevent miscoding errors attributed to corporate billings.
- General Hauling has not filed a list of accounts upon renewal and the required CPA statement of gross receipts. A listing of accounts was provided during the audit.
- General Hauling has submitted the certificate of liability insurance.

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.

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 debris pickup on-construction load, delivery charges, fuel surcharges, dry run and overload should be included in reported gross receipts.

Out of \$385,914.19 audited gross receipts, General Hauling paid the City of Miami Beach \$39,818.45 in franchise fees for \$248,865.31 in reported gross receipts. General Hauling collected an additional \$137,048.88 in gross receipts for roll-off waste removal services within the city limits and did not report these amounts in compliance with the City Code.

Initial confirmations with General Hauling's customers indicated that several invoices were not included in their returns submitted to the City. Our results were submitted to General Hauling's outside accountants who subsequently informed us that \$125,348.88 (92%) were miscoded to other municipalities using a corporate billing address outside of Miami Beach rather than the service location address. As a result, franchise fees were incorrectly remitted to other municipalities rather than to the City of Miami Beach. We were able to verify these miscoding errors. The miscoding errors examined were inadvertently reported and paid to the City of Miami (22%) of such monthly gross receipt as a regulatory permit fee as opposed to remitting the City of Miami Beach's 16% franchise roll-off fee rate.

Their outside accountants performed an internal review and discovered two additional accounts miscoded totaling \$13,250 in gross receipts that were not reported to the City of Miami Beach. We have included these additional amounts below that were not paid to the City. We reviewed additional accounts and determined that they were correctly coded to the City of Miami Beach.

The following table summarizes the amount due from General Hauling for our audit period:

| | 2006 | 2007 | 2008 (Jan to Aug) | TOTAL |
|---------------------------|--------------|--------------|----------------------|--------------|
| Audited Gross Receipts | \$147,340.50 | \$155,027.40 | \$83,546.29 | \$385,914.19 |
| Less Report Gross Receipt | 102,717.74 | 87,392.40 | 58,755.17 | 248,865.31 |
| Unreported Revenues | 44,622.76 | \$67,635.00 | \$24,791.12 | 137,048.88 |
| Roll-off fees due | 7,139.64 | 10,821.60 | 3,966.58 | \$21,927.82 |
| Interest | 1,623.89 | 1,424.66 | 267.73 | 3,316.28 |
| Total Due | \$8,763.53 | \$12,246.26 | \$4,234.31 | \$25,244.10 |

During the course of our audit, General Hauling remitted the above amount to the City and effective January 2009 changed their procedures to ensure that miscoding errors do not re-occur by not permitting corporate billing.

Recommendation(s)

We recommend that the company continue to monitor the effectiveness of their procedural change to ensure the proper coding of municipalities.

2. Finding – Required Reporting

General Hauling 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.*" General Hauling 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*". General Hauling did not provide a statement of its annual gross receipts generated from accounts within the city certified by an independent public accountant during the audit period. The waste contractor agreed to provide the annual CPA statement going forward.
- c. City Code Section 90 -196 lists the insurance coverage that must be maintained by Roll-off waste contractors. General Hauling provided proof of the required insurance during the audit.

Recommendation(s)

General Hauling must comply with the designated sections of the City Codes and submit lists of accounts and certified statements of gross receipts annually.

EXIT CONFERENCE

The results of our audit were forwarded to General Hauling's accountants (Berkowitz Dick Pollack & Brant) to present to their client. General Hauling concurred with our findings and paid the audit assessment. In their response, they stated that procedures have been changed effective January 2009 to ensure that miscoding errors do not re-occur.

Internal Audit Report
General Hauling Services, Inc.
February 18, 2009

JJS: CD
Audit performed by Carmin Dufour

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cc: Robert Middaugh, Interim Public Works Director
Alberto Zamora, Sanitation Director
Patricia Walker, Chief Financial Officer
Zachary Bush, General Hauling