
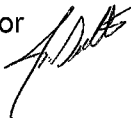


MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jimmy Morales, City Manager
VIA: Cintya Ramos, Budget and Performance Improvement Director 
FROM: James J. Sutter, Internal Auditor 
DATE: September 30, 2016
AUDIT: J&M Scaffolds of Florida, Inc.
PERIOD: August 2013 to July 2016

This report is the result of a scheduled audit of the Roll-Off Fee Returns for J&M Scaffolds of Florida, Inc. (J&M)

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 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.

J&M has been in business since 1965. Their majority line of business is the rental of scaffolds and other construction equipment. In addition, J&M provides roll-off waste service as a supplemental line of business.

BACKGROUND

Previously, Internal Audit conducted an audit of J&M for period of April 2010 to July 2013. Our audit report dated September 7, 2013 produced an audit assessment of \$772.69 which was subsequently paid by J&M.

OVERALL OPINION

J&M did not comply with certain reporting provision sections in the City Code during the audit period. The following items were noted during our audit:

- Gross receipts in the amount of \$61,133.26 were not reported. Therefore, J&M owes the City \$18,036. in franchise fees. (including interest and penalties)
- J&M has not filed list of accounts, however a listing of customer names 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 RESPONSES

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 fuel /environmental surcharge, overload, delivery, dry run, tire surcharge, disposal, and live load wait time, should be included in reported gross receipts. For the entire 36 months audited period, J&M collected gross receipts in the amount of \$199,086.50 for services rendered within the City of Miami Beach and reported \$137,953.24 to the City. Therefore, J&M underreported the amount of \$61,133.26 to the City. Upon examination of invoices, we discovered J&M incorrectly entered gross receipts in the amount of \$61,133.26 into another company named A.E.S Portable Sanitation, Inc. which is operated by the same management. These revenues were not reported to the City.

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The following table summarizes audited gross receipts and the amount due from J&M for our audit period:

	2013 Jan-Dec.	2014 Jan-Dec.	2015 Jan-Dec.	2016 Jan-Jul.	TOTAL
Audited Gross	\$9,972.41	\$60,536.59	\$90,901.35	\$37,676.15	\$199,086.50
Less Report Gross	7,905.40	45,576.04	56,745.90	27,725.90	137,953.24
Unreported Revenues	(2,067.01)	(14,960.55)	(34,155.45)	(9,950.25)	(61,133.26)
Roll-off fees due	372.06	2,692.90	6,147.98	1,791.05	11,003.99
Interest	123.02	603.68	921.80	73.52	1,722.01
Late fees	186.03	1,346.45	3,073.99	\$703.53	5,310.00
Total Due	\$681.11	\$4,643.03	\$10,143.76	\$2,568.10	\$18,036.00

2. Finding – Required Reporting

J&M 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 contractor shall provide the City Manager 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 dumpster as per account and the address serviced by each Roll-off container or dumpster.* J&M has not provided the City Manager 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 or dumpster as per account and the address serviced by each Roll-off container or dumpster. However, a listing of customer names was provided during the audit.

Recommendation (s)

J&M must remit the amount of \$18,036. in franchise fees relating to the unreported gross receipts. Going forward, J&M must obtain a business tax receipt for A.E.S Portable Sanitation, Inc. in order to operate within the City of Miami Beach. In addition, A.E.S Portable Sanitation, Inc. will file monthly reports with supporting revenues earned on a monthly basis. Furthermore, J&M must comply with the designated sections of the City Codes by submitting listing of accounts to the City Manager and the Sanitation Director.

EXIT CONFERENCE

Audit findings were e-mailed on September 22, 2016 to J&M. We confirmed their agreement to our findings.

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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
Vivian Antelo, Comptroller for J&M