



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: July 30, 2010
AUDIT: J&M Scaffolds of Florida, Inc. (J&M)
PERIOD: October 2006 to March 2010

This report is the result of a scheduled audit of the roll off fee returns for J&M Scaffolds.

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 receipts to 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 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 January 2003 to September 2006. A review of the company's invoices showed that franchise fees were charged and collected throughout the audit period resulting in no additional tax assessment. J&M's records showed that franchise fees were remitted timely to the City of Miami Beach.

OVERALL OPINION

J&M has not complied with certain provisions of the City Code's during the audit. The following items were noted during audit:

- Gross receipts in the amount of \$3,943.00 were not reported. Therefore, J&M owes the City \$772.69 in franchise fees which was immediately paid during the audit.
- J&M has not filed an annual list of accounts, however a listing was provided during the audit.
- J&M has not filed the required CPA statement of gross receipts for the two years under the previous ordinance.

- J&M 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.

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 dumpster , dump fees, load of trees, over load, rubbish removal and fuel surcharges should be included in reported gross receipts.

Out of \$ 104,417.24 audited gross receipts, J&M paid the City of Miami Beach \$16,775.23 in franchise fees for \$100,474.24 in reported gross receipts. As a result, an additional amount of \$3,943.00 in gross receipts was not reported for roll off rentals. J&M did not report these gross receipts for the services performed within the city limits in compliance with the City Code.

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

	2006	2007	2008	2009	2010	TOTAL
Audited Gross Receipts	\$5,795.00	\$24,954.60	\$35,509.52	\$27,268.12	\$10,890.00	\$104,417.24
Less Report Gross Receipt	(5,795.00)	(22,915.00)	(34,361.12)	(26,513.12)	(10,890.00)	(100,474.24)
Under reported Revenues	0.00	2,039.60	1,148.40	755.00	0.00	3,943.00
Roll-off fees due	0.00	326.34	183.74	135.90	0.00	645.98
Interest	0.00	84.63	31.36	10.72	0.00	126.71
Total Due	\$0.00	\$410.97	\$215.10	\$146.62	\$0.00	\$772.69

Note: On October, 2008 as required pursuant to section 90-278 of the City Code, the franchise fee paid to the city by its franchise waste contractors was raised from 16% of the franchisee's total monthly gross receipts for waste removal in the City, to 18% of said gross receipt.

2. Finding – Required Reporting

J&M 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." J&M 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". J&M did not provide a statement of its annual gross receipts generated from accounts within the city certified by an independent public accountant for their fiscal years 2006 and 2007.

Effective October 1, 2008 the ordinance was changed exempting contractors having annual gross receipts reported to the City under \$200,000 from filing annual statements of gross receipts certified by an independent auditor. For our audit period, J&M's reported revenues were less than this recent established threshold. Therefore, they were compliant to this provision for 2008 and forward.

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Recommendation(s)

J&M must comply with the designated sections of the City Codes and submit timely lists of accounts, and certified annual statements of gross receipt (if reported revenues are over the threshold amount).

EXIT CONFERENCE

Audit findings were given to Vivian Antelo, Comptroller for J&M Scaffolds on July 15, 2010. We confirmed her agreement to our findings on 07/23/10.

JJS: CD

Audit performed by Carmin Dufour

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cc: Jorge Gomez, Assistant City Manager
Fred Beckmann, Public Works Director
Alberto Zamora, Sanitation Director
Patricia Walker, Chief Financial Officer
Vivian Antelo (Comptroller)