



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 12, 2008
AUDIT: 1-866-Junk-Be-Gone Corp.
PERIOD: January 2005 to September 2007

This report is the result of a scheduled audit of the Roll-off Fee Returns for 1-866-Junk-Be-Gone Corp. (Junk-Be-Gone).

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, maintaining sufficient insurance, etc.

Junk-Be-Gone majority line of business is the removal of bulky trash from roof tops, attics, garages, basements, backyards, offices, warehouses, storefronts, parking lots, houses, condo's, apartments, construction sites, trailer and storerooms. These services are provided through the usage of two men and a truck. In addition, Junk-Be-Gone provides roll-off waste services for larger construction debris.

OVERALL OPINION

Junk-Be-Gone did not comply fully with the City Code's reporting provisions during the audit period. As a result, gross receipts were not reported and franchise fees were not paid to the City. The following items were noted during our audit:

- Gross receipts in the amount of \$45,682.05 were not reported resulting in Junk-Be-Gone owing the sum of \$8,849.12 (including interest & late filing charges) to the City.
- Junk-Be-Gone has submitted the certificate of liability insurance.
- Junk-Be-Gone has not filed a list of accounts and the required CPA statement of gross receipts.
- Junk-Be-Gone has not filed Roll-off fee returns on a timely basis.

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 dumpster, late fees and fuel surcharges should be included in reported gross receipts.

Out of 33 months audited gross receipts, Junk-Be-Gone paid the City of Miami Beach 4 months of gross receipts totaling to \$2,595.00. Junk-Be-Gone collected \$48,277.05 gross receipt fees in 16 additional months representing for roll-off, and fuel surcharges. Junk-Be-Gone 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 Junk-Be-Gone for our audit period:

	2005	2006	2007 (Jan to Sept)	TOTAL
Audited Gross Receipts	\$9,308.00	\$14,805.60	\$24,163.45	48,277.05
Less Report Gross Receipt	0	(2,595.00)	0	(2,595.00)
Unreported Revenues	9,308.00	12,210.60	24,163.45	\$45,682.05
Roll-off fees due	1,489.28	1,953.70	3,866.15	7,309.13
Late fees	150.00	150.00	400.00	700.00
Interest	372.85	268.59	198.55	839.99
Total Due	\$2,012.13	\$2,372.29	\$4,464.70	\$8,849.12

Recommendation(s)

Junk-Be-Gone should remit the amount of \$8,849.12 Any past due monthly franchise fee returns and corresponding late charges occurring outside the audit period should also be remitted to the city as soon as possible.

2. Finding – Required Reporting

Junk-Be-Gone 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.*" Junk-Be-Gone 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*". Junk-Be-Gone 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.
- c. City Code Section 90-196 lists the insurance coverage that must be maintained by roll-off waste contractors. Junk-Be-Gone carried the insurance and provided proof of the required insurance during the audit.

Recommendation(s)

Junk-Be-Gone should comply with the designated sections of the City Codes and submit timely lists of accounts, certified annual statements of gross receipts.

3. Finding – Filings of monthly Roll off fee return
Out of 33 audited months, Junk-Be-Gone has filed only 4 months of Roll-off fee return. Revenues were found in an additional 16 months that was not reported.

Recommendation(s)

Junk-Be-Gone should pay the City on a monthly basis. Monthly reports should be printed and attached to each return filed.

EXIT CONFERENCE

A meeting was held with Mr. Jorge Bustamante regarding the audit draft report. Mr. Bustamante expressed his concerns pertaining to the ordinance Section 90-278 (4) relating to the requirement of providing CPA certification of annual gross receipts. He stated that it would be very costly to pay a CPA firm to provide the required reports. In addition, this benefits the larger companies and penalizes the smaller companies. He also disagreed with the total amount of the audit assessment because he was not operating the business in 2005. However, he is willing to pay assessment for 2006 & 2007.

Internal Audit Report
Junk-Be-Gone& Waste, Inc. Roll- Off Fees
February 12, 2008

JJS: CD
Audit performed by Carmin Dufour

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cc: Robert Middaugh Jr., Assistant City Manager
Fred Beckmann, Public Works Director
Alberto Zamora, Sanitation Director
Patricia Walker, Chief Financial Officer
Jorge Bustamante, Junk-Be-Gone Corp. (Owner)