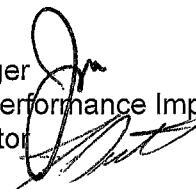


MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

TO: Jimmy L. Morales, City Manager 
VIA: John Woodruff, Budget and Performance Improvement Director 
FROM: James J. Sutter, Internal Auditor 

DATE: September 30, 2014
AUDIT: Southern Waste System LLC. (Southern Waste)
PERIOD: July 2011 to June 2014

INTERNAL AUDIT REPORT

This report is the result of a scheduled audit of the Roll-Off Fee Returns for Southern Waste System LLC. (Southern Waste).

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.

BACKGROUND

Internal Audit conducted an audit of Southern Waste for the period of October 2002 to May 2005. Our audit assessment report dated August 31, 2006 produced an audit assessment of \$64,943.48 which was paid by Southern Waste. This was attributed to under reporting of roll-off revenues.

Internal Audit conducted a subsequent audit for the period of July 2008 to June 2011. This audit produced an assessment of \$12,394.25. This was attributed to under reporting of roll-off revenues. On October 22, 2008 Southern Waste paid the total of the audit assessment.

OVERALL OPINION

Southern Waste did not fully comply with certain reporting provision sections in the City Code during the audit period. As a result, gross receipts were under reported and franchise fees were not paid to the City. The following items were noted during our audit:

- Gross receipts relating to additional charges such as trip charge in the amount of \$24,795.00 were not reported with the City. Consequently, Southern Waste must remit the amount of \$5,032.04 in delinquent roll-off franchise fees, (including interest) to the City.

- Required lists of accounts were not filed timely but received during our audit. In addition, the certified annual statements of gross receipts were not filed until subsequently requested during our audit.
- Southern Waste failed to obtain the required permits for Roll-offs on three occasions. Therefore, Code enforcement issued three violations.

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 were timely and correctly recorded in the City's Financial System

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding – Under-reported 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, trip charge, tire surcharge, disposal, and live load wait time, should be included in reported gross receipts.

Internal Audit Report
Southern Waste, LLC.
September 30, 2014

Out of 36 months audited gross receipts, Southern Waste paid the City of Miami Beach \$545,911.32 in franchise fees for \$3,032,840.66 in reported gross receipts. Southern Waste collected an additional amount of \$24,795.00 in gross receipts for trip charges. Those revenues were not reported to the City. Southern Waste has stated due to billing errors franchise fees were not paid on the items listed above. Hence, corrections have been made into the billing system by coding these services to be charged franchise fees.

The following table summarizes audited gross receipts and the amount due from Southern Waste for our audit period:

	2011	2012	2013	2014 (Jan.-Jun.)	TOTAL
Audited Gross	\$275,995.36	\$913,163.63	\$1,255,070.80	\$643,405.87	\$3,057,635.66
Less Report Gross	274,695.36	903,108.63	1,215,590.80	639,445.87	3,032,840.66
Unreported Revenues	(1,300.00)	(10,055.00)	(9,480.00)	(3,960.00)	(24,795.00)
Roll-off fees due	234.00	1,809.90	1,706.40	712.80	4,463.10
Interest	58.88	339.84	159.11	11.11	568.94
Total Due	\$292.88	\$2,149.74	\$1,865.51	\$723.91	\$5,032.04

2. Finding – Required Reporting

Southern Waste 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 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. Southern Waste 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. In addition, Southern Waste has delivered to the Finance department monthly report of gross receipts generated during the previous month from accounts within the City on or before the last day of each month. This detailed monthly report includes the customer names, service address account numbers and the amount collected from each customer.
- 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". Southern Waste did not submit to the City a statement of its annual gross receipts generated from accounts within the City as required by the designated sections of the City Codes for fiscal years ending in our audit period. Effective October 1, 2008 the ordinance

Internal Audit Report
Southern Waste, LLC.
September 30, 2014

Southern Waste did not submit to the City a statement of its annual gross receipts generated from accounts within the City as required by the designated sections of the City Codes for fiscal years ending in our audit period. Effective October 1, 2008 the ordinance requires that contractors having an annual gross receipts reported to the City over \$200,000 shall, on or before 60 days following the close of their fiscal year, deliver to the Finance Department a statement of 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. For all calendar years Southern Waste exceeded the threshold amount for requiring certified statements of gross receipt. Upon request, Southern Waste provided the CPA statements for 2011, 2012 and 2013.

c. Finding- Permit Required

Section 90-277-“No roll-off container or portable container shall be placed or located within the city limits without a permit from the City manager.” During the audit period, Southern Waste failed to obtain the required permits for Roll-offs on three occasions.

Therefore, Code enforcement issued the following violations listed below:

Date	Reference #	Violation	Amount
02/06/13	CB#036298	Roll-off container without a permit	\$350.00
03/13/13	CB#011006	Roll-off container without a permit	350.00
03/22/13	CB#011296	Roll-off container without a permit	350.00
Totals			\$1,050.00

Southern Waste paid the above violations

Recommendation (s)

Southern Waste must comply with the designated sections of the City Codes by submitting reports to the City Manager listing of accounts and certified annual statements of gross receipts for the year exceeding the reported threshold. In addition, Southern Waste must obtain Roll-off permits before commencing any work in the City of Miami Beach.

EXIT CONFERENCE

Audit findings were e-mailed on 09/28/2014. We confirmed their agreement and they paid the total amount of the audit assessment.

JJS: CD

Audit performed by Carmin Dufour

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cc: Eric Carpenter, Director of Public Works
Alberto Zamora, Sanitation Director
Patricia Walker, Chief Financial Officer
Roxanne Ferrari, for Southern Waste System LLC. (Controller)