

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:

September 30, 2011

Audit:

Southern Waste System, Ltd. Roll-Off Fees

Period: July 2008 to June 2011

This report is the result of a scheduled audit of the Roll-Off Fee Returns for Southern Waste System, Ltd., (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. Effective October 2008 the roll-off franchise fee was increased from 16% to 18%.

BACKGROUND

Previously, Internal Audit conducted an audit of Southern Waste for 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 another audit dated October 6, 2008 which 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 fuel /environmental surcharge, overload, delivery, dry run, tire surcharge, disposal, and live load wait time in the amount of \$64,168.72 Internal Audit Report Southern Waste System, Ltd. September 30, 2011

were under reported with the City. Consequently, Southern Waste owed the amount of \$13,647.51 in delinquent roll-off franchise fees (including interest to the City) which was subsequently paid during the audit.

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 and
received during our 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 – 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, dry run, tire surcharge, disposal, and live load wait time, should be included in reported gross receipts.

Internal Audit Report Southern Waste System, Ltd. September 30, 2011

Out of 36 months audited gross receipts, Southern Waste paid the City of Miami Beach \$252,832.75 in franchise fees for \$1,428,048.31 in reported gross receipts. Southern Waste collected an additional \$64,168.72 in gross receipts for fuel /environmental surcharge, overload, delivery, dry run, tire surcharge, disposal, and live load wait time; these 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:

	2008	2009	2010	2011 Jan-Jun	TOTAL
Audited					
Gross	\$342,597.18	\$628,832.07	\$376,547.40	\$144,240.38	\$1,492,217.03
Less Report					
Gross	(313,584.41)	(604,396.82)	(370,385.10)	(139,681.98)	(1,428,048.31)
Unreported					
Revenues	29,012.77	24,435.25	6,162.30	4,558.40	64,168.72
Roll-off fees					
due	4,932.55	4,398.40	1,109.22	820.52	11,260.69
Interest	1,352.58	931.50	89.86	12.88	2,386.82
Total Due	\$6,285.13	\$5,329.90	\$1,199.08	\$833.40	\$13,647.51

Footnote: On October, 2008 as required pursuant to section 90-278 of the City Code, the franchise fee paid to the City by its franchise roll-offs contractors was raised from 16% of the franchisee's total monthly gross receipts to 18% of said gross receipts.

Upon notification of our audit findings, Southern Waste paid the amount of \$13,647.51 for the unreported gross receipts during the audit.

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.

Internal Audit Report Southern Waste System, Ltd. September 30, 2011

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 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 2009 and 2010.

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.

EXIT CONFERENCE

Audit findings were e-mailed on 09/08/2011 Southern Waste. We confirmed their agreement to our findings on 09/30/2011. Southern Waste paid the total audit assessment during the audit.

JJS: CD Audit performed by Carmin Dufour

F:\obpi\\$AUD\DOC010-11\REPORTS - SOUTHERN FINAL WASTE REPORT.doc

cc: Duncan Ballantyne, Assistant City Manager
Fred Beckmann, Public Works Director
Alberto Zamora, Sanitation Director
Patricia Walker, Chief Financial Officer
Anthony Badala, Southern Waste System Ltd. (Operations Manager)
Roxanne Ferrari, for Southern Waste System Ltd. (Controller)
Kathleen Fitzgerald, Southern Waste System (Accountant)