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: May 7, 2010
AUDIT: Waste Services USA, Inc. (Waste Services)
PERIOD: December 2006 to November 2009

This report is the result of a scheduled audit of the roll off fee returns for Waste Services, Inc.

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.

Waste Service has had a business tax receipt to do business in the City of Miami Beach since 2000. Approximately thirty companies currently possess business tax receipts to operate roll off 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.

Background

Previously, Internal Audit conducted an audit of Waste Services for period of January 2003 to November 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. Waste Service's records showed that franchise fees were remitted timely to the City of Miami Beach.

OVERALL OPINION

Waste Services 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 $2,396.46 were not reported. Therefore, Waste Services owed the City $431.36 in franchise fees which was immediately paid during the audit.
- Waste Services has submitted the certificate of liability insurance.
- Waste Services has not filed a list of accounts and the required CPA statement of gross receipts.

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

Out of $ 681,388.14 audited gross receipts, Waste Services paid the City of Miami Beach $113,566.55 in franchise fees for $678,991.68 in reported gross receipts. Waste Services miscalculated the gross receipts reported to the City for the month of March 2009. As a result, an additional amount of $2,396.46 in gross receipts was not reported for roll off rentals. Waste Services 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 Waste Services for our audit period:

	2006	2007	2008	2009 (Jan to Nov)	TOTAL
Audited Gross Receipts	$8,300.00	$133,163.61	$339,808.07	$200,116.46	$681,388.14
Less Report Gross Receipt	(8,300.00)	(133,163.61)	(339,808.07)	(197,720.00)	(678,991.68)
Under reported	0.00	0.00	0.00	2,396.46	2,396.46
Roll-off fees	0.00	0.00	0.00	431.36	431.36
Interest	0.00	0.00	0.00	0.00	0.00
Total Due	0.00	0.00	0.00	$431.36	$431.36

Footnotes: 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 finding, Waste Services paid $431.36 for the unreported gross receipts during the audit.

2. Finding – *Required Reporting*
Waste Services 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." Waste Services 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*". Waste Services 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.

   Effective October 1, 2008 the ordinance requires that contractors having an annual gross receipts reported to the City over $200,000.00 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. The year 2008, Waste Services exceeded this threshold amount for requiring certified statements of gross receipts.

Recommendation(s)
Waste Services must comply with the designated sections of the City Codes and submit timely lists of accounts, certified annual statements of gross receipt.

EXIT CONFERENCE
Audit findings were e-mailed on April 27, 2010 to Carol Marcus, Comptroller. We confirmed her agreement to our findings on May 6, 2010.

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
Carol Markus, Waste Services USA, Inc. (Comptroller)