MIAMIBEACH

INTERNAL AUDIT REPORT

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov
Office of Internal Audit
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TO: Jimmy L. Morales, City Manager
FROM: James J. Sutter, Internal Auditor

DATE: August 10, 2017
AUDIT: Dolphin Gas System, Inc. – Utility Tax
PERIOD: February 1, 2014 – January 31, 2017

This report is the result of a regularly scheduled audit of the Public Service Tax (Utility Tax) collected and remitted to the City by Dolphin Gas System, Inc.

INTRODUCTION

Article III entitled "Public Service Tax" (Utility Tax) of the City Code details the terms and conditions concerning the charging, collecting and remitting of utility taxes on all purchases in the corporate limits of the City of electricity, metered gas, bottled gas, and fuel oil. More specifically, section 102-152 states that the seller is to collect and remit ten (10) percent, exclusive of governmental charges and taxes, of the total amount shown on such bill on account of the purchase of electricity, metered gas and bottled gas and four (4) cents per gallon on fuel oil. Other terms listed include the requirement of remitting any monies owed by the 20th day of each month for revenues incurred during the prior month, submitting a semiannual listing (June 30th and December 31st) of all deliveries for resale within Miami Beach, the charging of interest on any late payments, etc. Lastly, City Code Section 102-155 requires records of taxable sales transactions to be kept by the seller for inspection by the City and allows for enforcement of rules and regulations pertaining to Article III of the City Code.

Dolphin Gas System, Inc. (Dolphin Gas) is a family owned company that sells bottled gas directly to customers for their personal use. A review of the City's Financial System showed that Dolphin Gas reported and remitted the amounts below to the City for the stated periods:

	2014 Feb - Dec	2015 Jan - Dec	2016 Jan - Dec	2017 Jan	Total
Taxable Sales Reported	$ 4,812.60	$ 3,134.10	$ 2,919.30	$ 573.20	$11,439.20
Utility Tax Paid	$ 481.26	$ 313.41	$ 291.93	$ 57.32	$ 1,143.92

OVERALL OPINION

Dolphin Gas System, Inc. has generally complied with the City Code provisions during the audit period. However, the following deficiencies were noted during our audit:

- Fifteen tested minor utility tax under and overpayments were inaccurately remitted to the City resulting in a $9.07 difference.

- 32 of 33 tested utility tax payments, or 96.97%, were submitted after City Code Section 102-155(b)'s specified due date of the 20th day of each month. The Finance Department did not invoice Dolphin Gas System, Inc. for these late payments which totaled only $2.14 in interest due to the low dollars involved and the average of six (6) days late.

PURPOSE

The purpose of the audit was to determine Dolphin Gas System, Inc.'s compliance with the rules and regulations set forth in Article III, entitled "Public Service Tax", of the City Code with a primary focus on whether the utility taxes paid were accurately calculated and timely remitted to the City during the audit period.

SCOPE

1. Review Dolphin Gas System, Inc.'s records and documentation to confirm that utility taxes were accurately calculated and collected.

2. Confirm that Dolphin Gas System, Inc. timely sent the required semiannual listing (June 30th and December 31st) of all deliveries for resale within Miami Beach in adherence with the terms listed in City Code Section 102-156.

3. Confirm that all monthly utility tax collections were timely remitted and correctly recorded in the City's Financial System.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

1. Finding – *Fifteen Tested Minor Utility Tax Under and Overpayments were Inaccurately Remitted to the City Resulting in a $9.07 Difference*
City Code Section 102-155(b) requires Dolphin Gas System, Inc. (Dolphin Gas) to submit a statement setting forth the amount of such public service tax to which the City became entitled under the provisions of this section on account of bills paid by purchasers during the preceding month. Testing determined that Dolphin Gas incorrectly remitted utility taxes to the City from one (1) customer that was not located within its boundaries. This customer had remitted a total of $45.00 in utility taxes comprised of $15.00 dollars owed from three (3) separate transactions dated June 10, 2014, December 23, 2014 and July 12, 2016. Dolphin Gas was notified of the discrepancy and promptly modified the customer's account file to reflect the correct municipality.

   Dolphin Gas's tax liability was calculated using provided documentation (customer invoices, sales reports, payables reports, etc.) and compared to the amounts recorded in the City's Financial System. This analysis showed a net underpayment of $35.93 which was comprised of six (6) underpayments totaling $79.53, seven (7) overpayments totaling $86.41 and two (2) missing payments totaling $42.81. When this $35.93 underpayment was subtracted from the $45.00 overpayment, the total amount overpaid to the City decreased to $9.07.

Under Section 166.234(4)(b), 2017 Florida Statutes, Dolphin Gas may apply to the City for a refund for any overpayments submitted. Overpayment to a municipality means and includes all remittances of public service tax, interest, or penalty which was not due to the municipality, including amounts properly collected but remitted to the incorrect municipality.

Recommendation(s)
Dolphin Gas should better ensure that all future utility tax collections and remittances are accurately calculated, originate from within the City's boundaries and comply with City Code Section 102-155(b).

2. Finding – *32 of 33 Tested Utility Tax Payments or 96.97% were Submitted After City Code Section 102-155(b)'s Specified Due Date of the 20th Day of Each Month*
City Code Section 102-155(b) requires Dolphin Gas to execute and file no later than the 20th day of each month to the City's Finance Department. Analysis of the payments received from Dolphin Gas showed that 32 of 33 utility tax payments, or 96.97%, were submitted after the 20th day of each month. These late payments ranged from one (1) to fifteen (15) days late with an average of six (6) days late during the audit period.

Additionally, City Code Section 102-157(b) states that interest equal to 10% per annum or the rate as specified by Section 687.01, 2017 Florida Statutes, whichever is higher, on the unpaid amount of tax from the date on which the tax first became delinquent until paid, shall be paid by the seller. As a result, Dolphin Gas incurred $2.14 in interest that was not billed by the City's Finance Department and therefore was not paid during the audit period.

Recommendation(s)
Dolphin Gas should remit their future utility tax payments timely or be subject to interest billed by the Finance Department in accordance with the City Code.

EXIT CONFERENCE

Audit findings were emailed to Dolphin Gas on August 10, 2017 which agreed with the stated findings.

JJS:LM
Audit performed by Auditor Luis E. Medina

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cc: John Woodruff, Chief Financial Officer
Linda Greck, President, Dolphin Gas System, Inc.