

MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

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



DATE: February 9, 2017
AUDIT: Great Waste & Recycling Service, LLC. (Great Waste)
PERIOD: January 2015 to September 2016

This report is the result of a scheduled audit of the Roll-Off Fee Returns for Great Waste & Recycling, LLC. (Great 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 twenty two companies currently possess business tax receipt to 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.

Great Waste has been operating in the City of Miami Beach since June 2010. Their line of business is the rental of Roll-offs containers.

BACKGROUND

Internal Audit performed an audit of Great Waste for the period of March 2012 to December 2014. Our audit dated February 26, 2015 produced an audit assessment of \$67,346.66 which was paid by Great Waste. This was attributed to Great Waste not reporting roll-off revenues to the City.

OVERALL OPINION

Great Waste did not comply with certain reporting provision sections in the City Code during the audit period. The following items were noted during our audit:

- Great Waste entered the incorrect amounts on the monthly Roll-Off Fee Returns submitted to the City for a period of six months. As a result, gross receipts in the amount of \$18,491.55 were under reported.
- Great Waste failed to remit the amount of \$36,555.84 in gross receipts fuel surcharges collected to the City for the entire audit period.

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- We received confirmation from one of Great Waste customer, who paid for roll off services within the City of Miami Beach. This amounted to \$10,595.52 in gross receipts for roll off waste removal services within the city limits which were not reported in compliance the City Code.
- Great Waste has not filed list of accounts, however a listing of customer names was provided during the audit.

As a result, Great Waste must remit the amount of \$18,418.26 in delinquent roll-off franchise fees, (including penalties & interest) to the City.

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

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 fuel /environmental surcharge, overload, delivery, dry run, tire surcharge, disposal, and live load wait time, should be included

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in reported gross receipts. Out of \$383,520.24 audited gross receipts, Great Waste paid the City of Miami Beach \$57,217.92 in franchise fees for \$317,877.33 in reported gross receipts. Great Waste under reported gross receipts to the City of Miami Beach which amounted to \$65,642.91. This comprises of the following three components, Great Waste entered the incorrect amounts on the monthly Roll-Off Fee Returns submitted to the City for a period of 6 months totaling to \$18,491.55 and failed to remit the franchise fees on fuel surcharges amounting to \$36,555.84 for the entire audited period. In addition, we received confirmation from one of Great Waste customer, who paid for roll off services within the City of Miami Beach. This amounted to \$10,595.52 in gross receipts for roll off waste removal services within the city limits which were not reported in compliance the City Code.

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

	2015 Jan-Dec.	2016 Jan-Sep.	TOTAL
Audited Gross Receipts	\$225,886.63	\$157,633.61	\$383,520.24
Less Report Gross Receipt	188,205.00	129,672.33	317,877.33
Unreported Revenues	(37,681.63)	(27,961.28)	(65,642.91)
Roll-off fees due	6,782.66	5,033.07	11,815.73
Interest	902.52	307.81	1,210.33
Penalties	3,391.33	2,000.87	5,392.20
Total Due	\$11,076.51	\$7,341.75	\$18,418.26

Recommendation(s)

Great Waste must remit the amount of \$18,418.26 for franchise fees relating to the under reported gross receipts. Great Waste must enter the proper code in their software in order to capture the fuel surcharges that must be paid to the City of Miami Beach.

2. Finding – Required Reporting

Great Waste did not submit the following documents in accordance with the listed City Code sections during the audit period:

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.* Great 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.

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Recommendation (s)

Great Waste must comply with the designated sections of the City Codes by submitting reports to the City Manager and the Sanitation Director listing of accounts.

EXIT CONFERENCE

Audit findings were e-mailed on January 30, 2017 to Great Waste. We confirmed their agreement to our findings on February 6, 2017.

JJS: CD

Audit performed by Carmin Dufour

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cc: Eric Carpenter, Director of Public Works
Alberto Zamora, Sanitation Director
John Woodruff, Chief Financial Officer
Carlo Piccinonna, Great Waste & Recycling Service, LLC. (Owner)