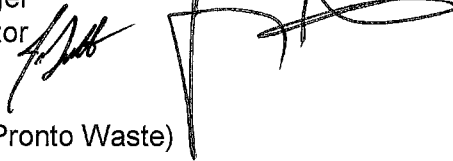


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Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jimmy L. Morales, City Manager
FROM: James J. Sutter, Internal Auditor
DATE: September 28, 2017
AUDIT: Pronto Waste Services, Inc. (Pronto Waste)
PERIOD: June 2014 to August 2017



This report is the result of a scheduled audit of the Roll-off Fee Returns for Pronto Waste, 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.

Approximately twenty two companies currently possess business tax receipt to operate Roll-offs 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 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.

Pronto Waste has been operating in the City of Miami Beach since June 2003. Their majority lines of business are demolition contractors, concrete cutting, excavation & land clearing, trucking & lowboy service, equipment rental. In addition, Pronto Waste provides Roll-off services as a supplemental line of business.

BACKGROUND

Previously, Internal Audit conducted an audit of Pronto Waste for period of June 2012 to May 2014. Our audit dated June 25, 2014 produced an audit assessment of \$4,586.16. This assessment was attributed to under reporting of Roll-off revenues. Pronto Waste has paid the total amount of the audit assessment.

OVERALL OPINION

Pronto Waste has not fully complied with the City Codes as it relates to reporting requirements for Roll-off contractors. As a result, gross receipts were collected and not remitted to the City. The following items were noted during audit:

- Gross receipts in the amount of \$18,253.63 were not reported. Therefore, Pronto Waste owes the City \$4,636.73 in franchise fees. (including interest and late filing charges)
- Pronto Waste has not filed list of accounts, however a listing of customer names was provided during the 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 Returns 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 dump fees, fuel surcharges, dry run and overload should be included in reported gross receipts.

Out of 39 months audited gross receipts, Pronto Waste did not file monthly Roll-offs returns for 18 months. Pronto Waste charged and collected \$18,253.62 in gross receipts including franchise fees from customers. However, they failed to remit the amount of \$3,285.63 in franchise fees for roll-off waste removal services within the city limits.

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Therefore, Pronto Waste is not in compliance with the City Code. The following table summarizes audited gross receipts and the amount due from Pronto Waste for our audit period:

	2014 (Jun-Dec.)	2015 Jan-Dec.	2016 Jan-Dec.	2017 Jan-Aug.	TOTAL
Audited Gross Receipts	\$6,122.50	\$4,127.00	\$2,240.00	\$10,936.62	\$23,426.12
Less Report Gross Receipt	(5,172.50)	(0.00)	(0.00)	(0.00)	(5,172.50)
Unreported Revenues	950.00	4,127.00	2,240.00	10,936.62	18,253.62
Roll-off fees due	171.00	742.86	403.20	1,968.57	3,285.63
Interest	63.27	207.82	61.70	51.32	384.11
Late	85.50	371.43	201.60	308.46	966.99
Total Due	\$319.77	\$1,322.11	\$666.50	\$2,328.35	\$4,636.73

Recommendation(s)

Pronto Waste must remit the amount of \$4,636.73. All subsequent roll-off fees return should be filed in a timely manner and remit any franchise tax due. Going forward, if Pronto Waste continues not to pay the City of Miami Beach the franchise fees collected from service addresses within the City may result in the termination of their business tax receipt.

2. Finding – Required Reporting

Pronto 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 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.*” Pronto Waste 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.

Recommendation(s)

Pronto Waste must comply with the designated sections of the City Codes by submitting a list of accounts annually.

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EXIT CONFERENCE

Audit findings were e-mailed on September 28, 2017 to Nancy Arencibia, Manager of Pronto Waste Services, Inc. We confirmed her agreement to our findings.

JJS: CD
Audit performed by Carmin Dufour

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cc: Eric Carpenter, Public Works Director
Alberto Zamora, Sanitation Director
John Woodruff, Chief Financial Officer
Nancy Arencibia, Pronto Waste Services, Inc.