

MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

TO: Jimmy L. Morales, City Manager
FROM: James J. Sutter, Internal Auditor

DATE: June 19, 2017
AUDIT: S&S National Waste, Inc.
PERIOD: March 2014 to December 2016

INTERNAL AUDIT REPORT



This report is the result of a regular scheduled audit of the Roll-Off Fee Returns for S&S National Waste, Inc. (S&S).

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.

BACKGROUND

Internal Audit performed an audit of S&S National Waste, Inc. for the period of March 2011 to February 2014. Their records showed that franchise fees were remitted timely and franchise fees were paid to the City. There was no audit assessment.

OVERALL OPINION

S&S has generally complied with the provisions of the City Code's during the audit period. The following items were noted during our audit:

- Gross receipts for one client in the amount of \$10,866.20 were not reported. Therefore, S&S owes the City \$3,447.95 in roll-off franchise fees (including interest charges).
- S&S has not filed list of accounts, however a listing of customer names was provided during the audit.
- S&S has not filed the required CPA annual statement of gross receipts for 2014, 2015 and 2016.

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 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 in reported gross receipts. Out of \$1,657,787.95 audited gross receipts, S&S paid the City of Miami Beach \$296,445.91 in franchise fees for \$1,646,921.75 in reported gross receipts. S&S under reported gross receipts to the City of Miami Beach in the amount of \$10,866.20 for one client and S&S failed to remit the franchise fees amounting to \$1,955.90 in franchise fees.

The following table summarizes audited gross receipts and the amount due from S&S for a period:

	2014 March-Dec.	2015 Jan-Dec.	2016 Jan-Dec.	TOTAL
Audited Gross Receipts	\$262,778.78	\$587,763.62	\$807,245.55	\$1,657,787.95
Less Report Gross Receipt	255,018.98	584,657.22	807,245.55	1,646,921.75
Unreported Revenues	(7,759.80)	(3,106.40)	(0.00)	(10,866.20)
Roll-off fees due	1,396.76	559.14	0.00	1,955.90
Interest	399.91	114.18	0.00	514.09
Penalties	698.38	279.58	0.00	977.96
Total Due	\$2,495.05	\$952.90	\$0.00	\$3,447.95

Recommendation(s)

S&S must remit the amount of \$3,447.95 for franchise fees relating to the under reported gross receipts.

2. Finding – Required Reporting

S&S 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." S&S 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". S&S did not provide a statement of its annual gross receipts generated from accounts within the city certified by an independent public accountant reflecting gross receipts within the city for the preceding fiscal year. 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 the calendar year 2014, 2015 and 2016. S&S exceeded the threshold amount for requiring certified statements of gross receipt.

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Recommendation (s)

S&S National Waste, Inc. must comply with the designated sections of the City Codes by submitting reports to the City Manager and Sanitation Director 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 May 26, 2017 to S&S National Waste, Inc. We confirmed their agreement to findings on June 12, 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
Joni Lue Yat, Chief Financial Officer for S&S National Waste, Inc.