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: Sungas Corp. – 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 Sungas Corp.

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.

Sungas Corp. (Sungas) 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 Sungas reported and remitted the amounts below for the stated periods:

	2014 Feb-Dec	2015 Jan-Dec	2016 Jan-Dec	2017 Jan	Total
Taxable Sales Reported	$2,217.70	$1,482.30	$1,171.10	$13.00	$4,884.10
Utility Tax Paid	$221.77	$148.23	$117.11	$1.30	$488.41

OVERALL OPINION

Sungas Corp. has generally complied with City Code provisions during the audit period. However, the following deficiencies were noted during our audit:

- Utility tax payments were inaccurately remitted to the City resulting in a net $254.87 overpayment. Most of this difference is attributable to two (2) customers that are located outside Miami Beach's boundaries that were mistakenly remitted to the City.

- 20 of 25 tested utility tax payments, or 80%, 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 Sungas Corp. for these late payments which totaled only $.39 due to the low dollars involved and the average of only three (3) days late.

PURPOSE

The purpose of the audit was to determine Sungas Corp.'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 Sungas Corp.'s records and documentation to confirm that utility taxes were accurately calculated and collected.

2. Confirm that Sungas Corp. 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 – *Utility Tax Payments were Inaccurately Remitted to the City Resulting in a $254.87 Net Overpayment*

   City Code Section 102-155(b) requires Sungas Corp. (Sungas) 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. All twenty-five reported transactions involving apparent Miami Beach customers occurring during the February 1, 2014 through January 31, 2017 audit period were reviewed for accuracy.

   In doing so, it was determined that Sungas incorrectly remitted utility taxes to the City from two (2) customers that were not located within its jurisdictional boundaries. The total overpayment associated with the nineteen individual transactions involving these customers is $270.89. Sungas was notified of this error during our testing and they promptly modified the customer's account file to reflect the correct municipality going forward.

   Meanwhile, a comparison of Sungas's provided records with the amounts reported in May 2016 found a $16.02 underpayment from customers located within Miami Beach. The root cause of this difference could not be determined.

   The net result of these twenty inaccurate utility tax payments to the City is a $254.87 overpayment. The following table summarizes the differences by calendar year between the utility taxes paid and due during the thirty-six month audit period:

	2014 Feb - Dec	2015 Jan - Dec	2016 Jan - Dec	2017 Jan	Total
Actual Taxable Sales	$633.00	$746.40	$955.98	$0.00	$2,335.38
Actual Utility Tax Owed (10%)	$63.30	$74.64	$95.60	$0.00	$233.54
Utility Tax Paid	($221.77)	($148.23)	($117.11)	($1.30)	($488.41)
Utility Tax Due*	($158.47)	($73.59)	($21.51)	($1.30)	($254.87)

**A numerical value in a parenthesis in this row indicates an overpayment.*

Under Section 166.234(4)(b), 2017 Florida Statutes, Sungas 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)
Sungas 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 – *20 of 25 Utility Tax Payments, or 80%, 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 Sungas to execute and file no later than the 20th day of each month to the City's Finance Department. Our analysis found that 20 of 25 utility tax payments, or 80%, were submitted after the 20th day of each month. These payments were received within a range of one (1) to ten (10) days late with an average of three (3) 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, Sungas incurred $0.39 in interest that was not billed by the City's Finance Department and therefore was not paid during the audit period.

Recommendation(s)
Sungas should remit utility tax payments no later than the 20th day of each month as required by City Code Section 102-155(b) or be subject to interest billed by the Finance Department.

EXIT CONFERENCE

Audit findings were emailed to Sungas Corp. 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, Finance Director
Javier Arango, Vice-President, Sungas Corp.