MIAMIBEACH

INTERNAL AUDIT REPORT

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov
Office of Internal Audit
Tel: 305-673-7020

TO: Jimmy L. Morales, City Manager
VIA: Mark D. Coolidge, Interim Internal Auditor MDC
FROM: Carmin Dufour, Tax Auditor

DATE: July 23, 2019
AUDIT: J & M Scaffolds of Florida, Inc. Roll-off Fee Revenues Audit
PERIOD: August 1, 2016 to February 28, 2019

This report is the result of a scheduled audit of the roll-off fees charged, collected and remitted by J & M Scaffolds of Florida, Inc. In addition, the auditee's compliance with selected provisions in the City Code concerning obtaining their annual business tax receipts, filing required reports, etc. were also reviewed.

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.

Although it is a dynamic number, fifteen companies currently possess business tax receipts authorizing them to operate roll-offs within the City's boundaries. They are required to abide by the terms outlined in the City Code which includes the remittance of 18% roll-off fees of the contractor's total applicable Miami Beach gross receipts with any fees deemed not paid subject to penalties of 10% per month up to a maximum of 50% plus interest of 1% per month. The term gross receipts can be defined as the entire amount of the fees collected by the contractor (whether wholly or partially collected) for solid waste collection and disposal within the City and including, without limitation, but excluding any taxes, and gross receipts from servicing roll-off and portable containers.

Monthly reports are to be submitted to the City's Finance Department by the end of the subsequent month of the gross receipts generated during the previous month within the City. For example, October 2018's report was due by November 30, 2018; November 2018's report was due by December 31, 2018 and so on. In addition, the contractor is to deliver to the City's Finance Department a statement of annual gross receipts generated from accounts within the City for the preceding fiscal year, certified by an independent certified public accountant.

One of these authorized roll-off companies is J & M Scaffolds of Florida, Inc. which has been operating in the City of Miami Beach since September 2003. The following table summarizes the audited gross receipts received from their Miami Beach roll-off transactions and the corresponding amount of fees paid during the stated audit period:

	2016 Aug. – Dec.	2017 Jan. – Dec.	2018 Jan. – Dec.	2019 Jan. - May	TOTAL
Audited Receipts	$31,234.80	$33,131.36	$11,876.29	$4,816.26	$81,058.71
Roll-Off Fees Due (18%)	$5,622.26	$5,963.64	$2,137.73	$866.94	$14,590.57

BACKGROUND

Previously, the Office of Internal Audit conducted an audit of J & M Scaffolds of Florida, Inc. for the period of August 2013 to July 2016. Gross receipts in the amount of $61,133.26 were determined to not have been reported which resulted in the contractor owing the City $18,036.00 in roll-off fees (including interest and penalties).

OVERALL OPINION

Testing confirmed that J & M Scaffolds of Florida, Inc. has complied with the provisions of the City Code during the audit period concerning the charging, collecting and remitting of roll-off fees during the August 1, 2016 to February 28, 2019 audit period. Despite these positive results, the following shortcomings were noted during testing that need corrective action:

- J & M Scaffolds of Florida, Inc. did not timely submit their list of accounts in accordance with City Code Section 90-278(3); however, this document was provided during the audit upon request.

- City invoices #64973 and #3769 issued on May 11, 2015 and November 10, 2016 respectively totaling $18,136.00 have not been paid to date but the roll-off contractor incorrectly received their 2017/18 business tax receipt in contradiction to City Code Section 90-226's terms.

PURPOSE

The purpose of this audit is to determine whether tested roll-off contractor billings and filings were correct; whether tested remittances were correctly calculated, received timely and accurately recorded by the City; and whether the contractor was compliant with designated sections of the City Code and related Ordinances.

SCOPE

1. Confirm that J & M Scaffolds of Florida, Inc. maintained sufficient books and records to verify that their billings were correct; their gross receipts were correctly calculated and support the monthly fees submitted to the City.

2. Confirm that the roll-off contractor is timely submitting their monthly reports of gross receipts along with their corresponding full remittances to the City.

3. Confirm that the roll-off contractor timely obtained their required annual business tax receipts during the audit period.

4. Confirm that the roll-off contractor has complied with City Code Section 90-278's reporting requirements during the audit period.

5. Confirm that the roll-off contractor has obtained the required insurance in adherence with City Code Section 90-196 during the audit period.

6. Confirm that tested monthly roll-off fee returns were accurately recorded in the City's Financial System.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding – *J & M Scaffolds of Florida, Inc. did Not Timely Provide the Required List of Accounts in Adherence with City Code Section 90-278(3)*
City Code 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."* However, J & M Scaffolds of Florida, Inc. (J & M Scaffolds) did not provide the City Manager and/or 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 or construction dumpster. Upon request by the Office of Internal Audit, this list of accounts was provided whereby the information obtained was used to mail confirmation letters to help verify the amount of reported gross receipts. The corresponding analysis did not find any material differences for any completed and returned confirmation letters.

   Recommendation(s):
   J & M Scaffolds should comply with City Code Section 90-278(3)'s terms by timely submitting their lists of accounts to the City Manager and the Sanitation Director.

2. Finding – *City Invoices #64973 and #3769 Issued on May 11, 2015 and November 10, 2016 Respectively Totaling $18,136.00 have Not been Paid to Date but the Roll-Off Contractor Incorrectly Received their 2017/18 Business Tax Receipt in Contradiction to City Code Section 90-226's Terms*
City Code Section 90-226 states" *In order to effectively provide for the collection of the permit fee by the licensed contractor to the City, any person seeking to renew his/her annual licensed pursuant to the provisions of Chapter 102, Article V, in addition to the requirements contained therein, shall provide to the finance director evidence of payment of all outstanding permit fees, fines and other charges as a condition to reissuance or renewal of the business license.".*

Testing determined that the City's Code Compliance Department issued violation CE15003061 for $100.00 to J & M Scaffolds for placing a roll-off container without a permit in front of 3131 North Bay Road. In addition, the Office of Internal Audit previously conducted an audit of J & M Scaffolds for the period of August 2013 to July 2016 which resulted in the contractor owing the City $18,036.00 in roll-off fees (including interest and penalties). To date, neither of these two invoices totaling $18,136.00 have been paid by J & M Scaffolds.

However, it was determined that the roll-off operator was incorrectly issued its 2017/18 business tax receipt by the Finance Department's Licensing Section on January 23, 2018 in contradiction to City Code Section 90-226. Conversely, their 2018/19 business tax receipt has properly not been issued despite being paid in full due to this unpaid $18,136.00 balance.

Recommendation(s):
The Licensing Section should not issue business tax receipts to businesses such as J & M Scaffolds that owe monies to the City in accordance with City Code Section 90-226.

Management Response (Finance Department):
J & M Scaffolds paid for their 2017/18 fiscal year business tax receipt. The business tax receipt for the 2017/18 fiscal year was released following an automated review of outstanding monies owed. Upon further review, when the violation for J & M Scaffolds was converted from Permits Plus to EnerGov, no contact information was included in the conversion. Additionally, when the City invoice for the violation was created in Eden, no folio number was added to the record. These extenuating circumstances led to the automated search on our Lien Research System (LRS) not disclosing the violation.

To address this issue, the Finance Department has implemented a system in which the Revenue Section notifies the Licensing Section of roll-off assessments and invoices that are processed. This will ensure roll-off companies owing the City monies for assessments are flagged for business tax receipt matters. Additionally, as of January 2019, all Code violations for business tax receipts are now being linked to their corresponding license. The Finance Department has flagged J & M Scaffold's business tax receipt, as the business still owes their outstanding invoices to the City.

EXIT CONFERENCE

This audit report was e-mailed to J & M Scaffolds of Florida, Inc.'s management whereby they agreed to the contents herein.

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cc: Eric Carpenter, Assistant City Manager
Darrell Caldwell, Sanitation Department Director
John Woodruff, Chief Financial Officer
Manny Marquez, Assistant Director Finance Director
Vivian Antelo, Controller, J & M Scaffolds of Florida, Inc.