MIAMIBEACH

INTERNAL AUDIT REPORT

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Office of Internal Audit
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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 & O Garcia Enterprises Corp. Roll-off Fee Revenues Audit
PERIOD: January 1, 2017 to May 31, 2019

This report is the result of a scheduled audit of the roll-off fees charged, collected and remitted by J & O Garcia Enterprises Corp. 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 (10) 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 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 roll-off 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 & O Garcia Enterprises Corp. whose main offices are in Hialeah, FL. They have been operating in the City of Miami Beach since October 2015. The following gross receipts were reported, and fees paid to the City during the listed 29-month audit period:

	2017 Jan. - Dec.	2018 Jan. - Dec.	2019 Jan. - May	TOTAL
Audited Receipts	0.00	0.00	0.00	0.00
Roll-Off Fees Due (18%)	0.00	0.00	0.00	0.00

BACKGROUND

Previously, the Office of Internal Audit conducted an audit of J & O Garcia Enterprises Corp. for the period of November 2015 to December 2016. Our audit report dated February 9, 2017 found that tested roll-off fees were properly reported, and no additional fees were owed.

OVERALL OPINION

J & O Garcia Enterprises Corp. has complied with the tested provisions of the City Code during the audit period which includes the charging, collecting and remitting of roll-off fees during the January 1, 2017 to May 31, 2019 audit period. Despite these positive results, the following shortcoming was noted during testing that is need of corrective action:

- City invoice #70317 for $100.00 issued on October 15, 2015 was not paid until May 30, 2019 but the roll-off contractor incorrectly received their 2016/17 and 2017/18 fiscal year business tax receipts 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 the roll-off contractor maintained sufficient books and records to verify that tested billings were correct; their gross receipts were correctly calculated and supported 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. <u>Finding</u> – *City Invoice #70317 for $100.00 Issued on October 15, 2015 was Not Paid Until May 30, 2019 but the Roll-Off Contractor Incorrectly Received their 2016/17 and 2017/18 Business Tax Receipts 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.".* J & O Garcia Enterprises Corp. was issued the following violation by the City's Code Compliance Department:

J & O Garcia Enterprises Corp.								
Date Issued		Fiscal Year		Invoice Number		Amount		Description
10/15/2015		2015/16		70317		$100.00		Sanitation Violation

Upon notification by Internal Audit, the roll-off contractor paid this outstanding balance in full on May 30, 2019. Despite this late payment of invoice #70317, J & O Garcia Enterprises Corp. was incorrectly issued its 2016/17 and 2017/18 business tax receipts by the Finance Department's Licensing Section on October 1, 2016 and September 29, 2017 respectively. Due to zero business activity in the City of Miami of Beach, they did not renew their current year's business tax receipt.

Recommendation(s):
The Licensing Section should not issue business tax receipts to businesses such as J & O Garcia Enterprises Corp. that owe monies to the City as stated in City Code Section 90-226.

Management Response (Finance Department):
J & O Garcia Enterprises Corp. paid for their 2016/17 and 2017/18 business tax receipt. The 2016/17 fiscal year business tax receipt was automatically made active upon payment by the customer and the 2017/18 fiscal year business tax receipt was released following an automated review of outstanding monies owed. Upon further review, when the violation for J & O Garcia Enterprises Corp. 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.

In order to avoid a similar situation in the future, all Code violations for business tax receipts are now being linked to their corresponding license. This will ensure roll-off companies owing the City monies for violations are flagged for business tax receipt matters.

EXIT CONFERENCE

This audit report was e-mailed to J & O Garcia Enterprises Corp. 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 Department
Julio Garcia Milan, Owner, J & O Garcia Enterprises Corp.