



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: March 30, 2009
AUDIT: Pronto Waste, Inc. (Pronto Waste)
PERIOD: May 2006 to February 2009

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 thirty 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. Effective October 2008 the Roll-off franchise fee was increased from 16% to 18%.

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 January 2003 to April 2006. Our audit dated September 26, 2006 produced an audit assessment of \$2,280.50. This assessment was attributed to under reporting of Roll-off revenues. On November 06, 2006 Pronto paid 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. The following items were noted during our audit.

- Roll-off Fee returns were not filed for the months of September 2007 to February 2009. For the audit period, \$48,451.85 in gross receipts were not reported resulting in the owing of \$9,372.82 in delinquent roll-off franchise fees (including interest and late filing charges) to the City.

- Pronto Waste has submitted the certificate of liability insurance.
- Pronto Waste has not filed list of accounts upon renewal and the required CPA annual statement of gross receipts. A listing of accounts 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.

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 30 months audited gross receipts, Pronto Waste filed returns for 14 months to the City of Miami Beach resulting in \$4,688.00 in franchise fees for \$29,300.00 reported gross receipts. Pronto Waste did not file returns from September 2007 to February 2009. As a result an additional amount of \$48,451.85 in gross receipts for roll-off waste removal services within the city limits was not reported. 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:

	2006 (May-Dec)	2007	2008	2009 (Jan-Feb)	TOTAL
Audited Gross Receipts	\$11,505.00	\$32,470.16	\$29,390.32	\$4,386.37	\$77,751.85
Less Report Gross Receipt	(11,505.00)	(17,795.00)	0	0	(29,300.00)
Unreported Revenues	0	14,675.16	29,390.32	4,386.37	48,451.85
Roll-off fees due	0	2,348.03	4,851.54	789.54	7,989.10
Interest	0	285.41	246.41	1.90	533.72
Late Filing	0	200.00	600.00	50.00	850.00
Total Due	0	\$2,833.44	\$5,697.95	\$841.44	\$9,372.82

Recommendation(s)

Pronto Waste should remit the amount of \$9,372.82. All subsequent roll-off fee return should be filed in a timely manner and remit any franchise tax due.

2. Finding – Required Reporting

Pronto Waste 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.*” 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.
- 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.*” Pronto Waste 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 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.

- c. City Code Section 90 -196 lists the insurance coverage that must be maintained by Roll-off waste contractors. Pronto Waste provided proof of the required insurance during the audit.

Recommendation(s)

Pronto Waste must comply with the designated sections of the City Codes by submitting a list of accounts annually and submit certified statement of gross receipts providing their annual returns exceed the required amount.

EXIT CONFERENCE

Audit findings were e-mailed on March 25, 2009 to Nancy Arencibia, Pronto Waste Services, Inc. (Manager). We confirmed her agreement to our findings on March 27, 2009.

Internal Audit Report
Pronto Waste, Inc.
March 30, 2009

Audit performed by Carmin Dufour

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cc: Robert Middaugh, Acting Public Works Director
Alberto Zamora, Sanitation Director
Patricia Walker, Chief Financial Officer
Nancy Arencibia, Pronto Waste Services, Inc. (Manager)