



MIAMI BEACH

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: June 19, 2008
AUDIT: Thunder Demolition, Inc. (Thunder Demolition)
PERIOD: December 2006 to February 2008

This report is the result of a scheduled audit of the Roll-off Fee Returns for Thunder Demolition, 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 equaling 16% of Miami Beach gross receipts to the City's Finance Department by the end of the subsequent month, filing various reports, and maintaining sufficient insurance.

Thunder Demolition has obtained a business tax receipt since December 2006. Their majority lines of business are demolition contractors, concrete cutting, excavation & land clearing, trucking & lowboy service, equipment rental. In addition, Thunder demolition provides roll-off services as a supplemental line of business.

OVERALL OPINION

Thunder Demolition has not complied with certain provisions of the City Code's during the audit. As a result, gross receipts were not reported and the franchise fees were not paid to the City. The following items were noted during audit:

- Gross receipts in the amount of \$5,139.65 were not reported. Therefore, Thunder Demolition owes the amount of \$822.34 in franchise fees.
- Thunder Demolition has submitted the certificate of liability insurance.
- Thunder Demolition has not filed a list of accounts and the required CPA statement of gross receipts.

- Thunder demolition needs to enhance its system of recordkeeping in order for the audit not to be hindered. When submitting monthly roll-off fee report customers' name, invoice number, address of location, container fee, franchise fee, fuel and other must be attached to the report.

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 15 months audited gross receipts, Thunder Demolition paid the City of Miami Beach \$16,855.13 in franchise fees for \$105,344.63 in reported gross receipts. Thunder Demolition collected an additional \$5,139.65 in gross receipts for roll-off waste removal services within the city limits and did not report these amounts in compliance with the City Code.

The following table summarizes the amount due from Thunder Demolition for our audit period:

| | 2006 | 2007 | 2008 | TOTAL |
|---------------------------|------|-------------|-------------|--------------|
| Audited Gross Receipts | \$0 | \$72,674.12 | \$37,810.16 | \$110,484.28 |
| Less Report Gross Receipt | 0 | (67,534.47) | (37,810.16) | (105,344.63) |
| Unreported Revenues | 0 | 5,139.65 | 0 | 5,139.65 |
| Roll-off fees due | 0 | 83.20 | 739.14 | 822.34 |
| Interest | 0 | 0 | 0 | 0 |
| Late Filing | 0 | 0 | 0 | 0 |
| Total Due | \$0 | \$822.34 | \$0 | \$822.34 |

Recommendation(s)

Thunder Demolition should remit the amount of \$822.34. Any past due monthly franchise fee returns and corresponding late charges occurring outside the audit period should also be remitted to the city as soon as possible.

2. Finding – Required Reporting

Thunder Demolition 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.*" Thunder Demolition 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*". Thunder Demolition did not provide a statement of its annual gross receipts generated from accounts within the city certified by an independent public accountant during the audit period.
- c. City Code Section 90 -196 lists the insurance coverage that must be maintained by Roll-off waste contractors. Thunder Demolition provided proof of the required insurance during the audit.

Recommendation(s)

Thunder Demolition should comply with the designated sections of the City Codes and submit lists of accounts and certified annual statements of gross receipts.

3. Finding – Records Maintenance

Thunder Demolition needs to enhance its system of recordkeeping in order for the audit not to be hindered. Records were kept in a matter not conducive for an audit.

Recommendation(s)

Contractor should maintain their records in an organized manner so that specific invoices can be easily located. Monthly reports should be printed by municipality and attached to each return filed.

EXIT CONFERENCE

Audit findings were emailed on 06/18/08 and confirmed by Jennifer Bucholz of Thunder Demolition, Inc..

Internal Audit Report
Thunder Demolition, Inc.
June 19, 2008

JJS: CD
Audit performed by Carmin Dufour

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cc: Robert Middaugh Jr. Assistant City Manager
Fred Beckmann, Public Works Director
Alberto Zamora, Sanitation Director
Patricia Walker, Chief Financial Officer
Jennifer Bucholc, Thunder Demolition, Inc.