



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: October 6, 2008
Audit: S & S National Waste, Inc.
Period: November 20004 to February 2008

This report is the result of a scheduled audit of the Roll-Off Fee Returns for S&S National Waste, Inc. (S&S).

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 receipts 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, maintaining sufficient insurance, etc.

BACKGROUND

Previously, Internal Audit conducted an audit of S&S for period of January 2001 to September 2004. Our audit report dated March 14, 2005 produced an audit assessment attributed to the under reporting of gross receipts. At present, the City Attorney's Office and S&S lawyers have been communicating regarding this previous audit. Therefore, this matter is still pending.

OVERALL OPINION

S&S has generally complied with the provisions of the City Code's during the audit period. The following items were noted during our audit:

- Gross receipts in the amount of \$18,473.97 relating to fuel surcharges and delivery charges were not reported; therefore S&S owes the City \$3,284.73 in roll-off franchise fees (including interest charges).
- S&S has not filed a list of accounts and the required CPA annual statement of gross receipts.
- S&S has submitted the certificate of liability insurance.

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 RESPONSES

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 fuel surcharges and delivery charges, should be included in reported gross receipts. Out of 40 months audited gross receipts, S&S paid the City of Miami Beach \$853,330.97 in franchise fees for \$5,333,318.53 in reported gross receipts. S&S collected an additional \$18,473.97 in fuel surcharges and delivery charges and did not report these amounts in compliance with the City Code. The contractor was not aware that these fees should have been included in gross receipt reported.

The following table summarizes the total unreported gross receipts by category:

Category	2004 Nov-Dec	2005 Jan-Dec.	2006 Jan-Dec.	2007 Jan-Dec.	2008 Jan-Jun.	TOTAL
Fuel Surcharges (1)	\$1,795.68	\$7,982.13	0	0	0	\$9,777.81
Delivery charges (2)	511.54	2,684.62	2,850.00	2,200.00	450.00	8,696.16
Totals	\$2,307.22	\$10,666.75	\$2,850.00	\$2,200.00	\$450.00	\$18,473.97

Note (1) Based on our review of all invoices submitted for the two months 11/04 and 12/04, the average fuel surcharge was 1.34% of the total gross receipts. Therefore, we used this percentage and applied it to the gross receipts for the period of 01/05 to 06/05 to obtain an estimate.

(2) For delivery charges, there were eight months of detailed data missing. We totaled 26 months of the available gross receipts to arrive at an amount of \$6,650.00. An average was then calculated for the months of 11/04 to 06/05.

The following table summaries the audited gross receipts as compared to reported gross receipts with the amount of franchise tax due:

	2004 Nov-Dec.	2005 Jan-Dec.	2006 Jan-Dec.	2007 Jan-Dec.	2008 Jan-Jun.	TOTAL
Audited Receipts	\$136,652.41	\$1,225,090.31	\$1,245,338.79	\$2,320,697.00	\$424,014.00	\$5,351,792.50
Less Reported Receipts	134,345.19	1,214,423.56	1,242,488.79	2,318,497.00	423,564.00	5,333,318.53
Unreported Gross Receipts	2,307.22	10,666.75	2,850.00	2,200.00	450.00	18,473.97
Roll-Off Fees Due (16%)	369.15	1,706.66	456.00	352.00	72.00	2,955.81
Interest Due	92.42	113.12	85.66	35.98	1.73	328.92
Tax Due	\$461.57	\$1,819.78	\$541.66	\$387.98	\$73.73	\$3,284.73

Recommendation

S&S should report all gross receipts as per the City code. This includes but is not limited to fuel surcharges and delivery fees. S&S should remit \$3,284.73 for taxes due for unreported gross receipts.

2. Finding – Required Reporting

S&S 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.”* S&S 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 or construction dumpster. However, a list of accounts 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”.* S&S 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.

Recommendation

S&S should comply with the designated sections of the City Codes and submit all gross receipts, lists of accounts and certified annual statements of gross receipts.

EXIT CONFERENCE

Audit findings were e-mailed on 09/24/08 to Joni Mickelson, Chief Financial Officer for S&S. We confirmed her agreement to our findings on 09/25/08.

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
Joni Mickelson, Chief Financial Officer for S&S