



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: June 28, 2010
AUDIT: Eastern Waste System, Inc. (Eastern Waste)
PERIOD: March 2007 to March 2010

This report is the result of a scheduled audit of the Roll-off Fee Returns for Eastern Waste System, 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.

Eastern Waste System, Inc. (Eastern Waste) has been in business since 2003. The majority line of their business is the waste removal services. Eastern Waste most frequently used method, involves the loading of construction debris with a claw directly from a pile into an attached container truck.

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 18% 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 Eastern Waste for period of January 2004 to February 2007. A review of the company's invoices showed that franchise fees were charged and collected throughout the audit period. Eastern Waste collected an additional amount of gross receipts for \$4,158.57 which was not reported. As a result, Eastern Waste paid \$725.35 in franchise fees and interest to the City.

OVERALL OPINION

Eastern Waste has not complied with certain provisions of the City Code's during the audit. As a result, a small amount of 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 \$1,274.36 were not reported. Therefore, Eastern Waste owed the City \$214.60 in franchise fees which was immediately paid during the audit.

- Eastern Waste has not filed a list of accounts and the required CPA statement of gross receipts. This listing and required CPA statements was provided during our audit.
- Eastern Waste 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.

SCOPE

1. Review waste contractor's books and records to confirm that their billings were correct; their gross receipts were correctly calculated and support the monthly franchise fee submitted to the City.
2. Confirm that the private waste contractor timely sent the City the required reports in adherence with the terms listed in the City Code.
3. Confirm that the private waste contractor is timely sending the required Monthly Report of Gross Receipts along with their remittance to the City.
4. Confirm that the private waste contractor timely obtained their required annual business tax receipt.
5. Confirm that the private waste contractor timely submitted their annual Certified Public Accountant (CPA) Statements of Gross Receipts to the City (If applicable).
6. Confirm that the private waste contractor has obtained the required insurance in adherence with Section 90-196 of the City Code.
7. Confirm that all monthly Roll-off Fee Return and were timely and correctly recorded in the City's Financial System.

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 fees for delivery and removal of containers, removal of dirt and concrete, fuel surcharges, should be included in reported gross receipts.

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Eastern Waste most frequently used method involves the loading of construction debris with a claw directly from a pile into an attached container truck (grapple services). Review of provided reports showed that gross receipts for grapple services and other services were charged and collected throughout the audit period.

Out of \$2,299,286.17 audited gross receipts, Eastern Waste paid the City of Miami Beach \$381,421.48 in franchise fees for \$2,298,011.81 in reported gross receipts. Eastern Waste collected an additional amount of \$1,274.36 in gross receipt fees for relocation/movement charges. Eastern Waste did not report these gross receipts for the services performed within the city limits in compliance with the City Code.

The following table summarizes the amount due from Eastern Waste for our audit period:

	2007 (Mar.-Dec.)	2008 (Jan.-Dec.)	2009 (Jan.-Dec.)	2010 (Jan.-Mar.)	TOTAL
Audited Gross Receipts	\$740,122.63	\$846,147.94	\$659,332.33	\$53,683.27	\$2,299,286.17
Report Gross Receipt	(739,622.63)	(845,854.70)	(658,851.21)	(53,683.27)	2,298,011.81
Unreported Revenues	500.00	293.24	481.12	0.00	1,274.36
Total Roll-off fees due	\$80.00	\$48.00	\$86.60	0.00	\$214.60

Footnotes: On October, 2008 as required pursuant to section 90-278 of the City Code, the franchise fee paid to the city by its franchise Roll-offs contractors was raised from 16% of the franchisee's total monthly gross receipts to 18% of said gross receipts.

Upon notification of our audit finding, Eastern Waste paid \$214.60 for the unreported gross receipts during the audit.

2. Finding – Required Reporting

Eastern 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." Eastern 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". Effective October 1, 2008 the ordinance requires that contractors having an annual gross receipts reported to the City over \$200,000.00 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

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preceding fiscal year. Eastern Waste exceeded the gross receipts reported to the City for their fiscal years 2007, 2008 and 2009.

During the audit, Eastern Waste provided a statement of annual gross receipts generated from accounts within the city for the three years above certified by an independent certified public accountant.

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

Recommendation(s)

Going forward, Eastern Waste must comply with the designated sections of the City Codes and submit timely lists of accounts and certified annual statements of gross receipts.

EXIT CONFERENCE

Audit findings were e-mailed on June 24, 2010 to Mr. Michael Marzano, Comptroller for Eastern Waste and he has agreed with our findings.

JJS:MC:CD

Audit performed by Carmin Dufour

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cc: Jorge Gomez, Assistant City Manager
Fred Beckmann, Public Works Director
Alberto Zamora, Sanitation Director
Patricia Walker, Chief Financial Officer
Michael C. Marzano, Eastern Waste, Inc. (Comptroller)