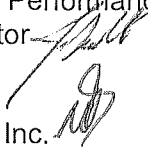





MIAMIBEACH

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: September 2, 2010
AUDIT: PH Waste Collection Service, Inc. 
PERIOD: April 2007 to September 2009

This report is the result of a scheduled audit of the Roll-Off Fee Returns for PH Waste Collection Services, Inc. (P.H Waste).

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. 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 PH Waste for period of January 2003 to March 2007. A review of the company's invoices showed that franchise fees were charged and collected throughout the audit period. PH Waste collected an additional amount of gross receipts for \$5,859.51 which was not reported. As a result, PH Waste paid \$1,077.05 in franchise fees and interest to the City. As of October 2009, PH Waste stopped doing business within the City of Miami Beach. Therefore, they did not renew their business tax receipt for the current year.

OVERALL OPINION

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

- Gross receipts in the amount of \$1,651.25 were not reported. Therefore, PH Waste owes the City \$534.84 roll-off franchise fees (including interest & late fees).
- PH Waste has submitted the certificate of liability insurance.
- PH Waste has not filed a list of accounts and the required CPA statement of gross receipts for the years prior to 10/1/08.

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 – *Under Reported 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 overloading fees and relocation fees should be included in reported gross receipts. Review of provided documents showed that gross receipts were properly reported to the City. However, for the month of October 2007, PH Waste inadvertently made an error by under paying the franchise tax due by \$264.20. In addition returns for four months were not submitted in a timely manner resulting in \$200 due for late fees.

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

| | 2007 | 2008 | 2009 | TOTAL |
|-------------------------|-------------|-------------|------------|-------------|
| Audited Gross Receipts | \$71,919.75 | \$12,731.25 | \$2,940.00 | \$87,591.00 |
| Reported Gross Receipts | \$71,919.75 | 12,731.25 | 2,940.00 | \$87,591.00 |
| Roll-Off Fees Due | \$11,507.16 | \$2,104.20 | \$529.20 | \$14,140.56 |
| Roll-Off Fees Paid | (11,242.96) | (2,104.20) | (529.20) | (13,876.36) |
| Roll-Off Fees Not paid | \$264.20 | \$0.00 | \$0.00 | \$264.20 |
| Interest Due | 68.76 | 1.23 | .64 | 70.64 |
| Late fees | 50.00 | 50.00 | 100.00 | 200.00 |
| Total Due | \$382.96 | \$51.23 | \$100.64 | \$534.84 |

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.

Recommendation(s)

PH Waste should remit the amount of \$534.84. Any past due monthly roll-off 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

PH 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.*" PH 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 or construction dumpster. 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*". PH Waste 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.

Effective October 1, 2008 the ordinance was changed exempting contractors having annual gross receipts reported to the City under \$200,000 from filing annual statements of gross receipts certified by an independent auditor. For our audit period, PH Waste reported revenues were less than this recent established threshold. Therefore, they were compliant to this provision for 2008 and forward.

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

Recommendation(s)

PH Waste must comply with the designated sections of the City Codes and submit timely lists of accounts, and certified annual statements of gross receipt (if reported revenues are over the threshold amount).

EXIT CONFERENCE

Audit findings were e-mailed to PH Waste Collection Service, Inc. on 08/31/2010. We confirmed their agreement to our findings on 09/01/2010. They agreed to submit payment upon receipt of the City bill from Finance.

JJS: 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
Wilma Estevez, Controller