


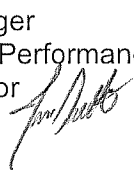


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BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

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: December 22, 2010
Audit: Lopefra Corp.
Period: October 2007 to September 2010

This report is the result of a scheduled audit of the Roll-Off Fee Returns for Lopefra, Corp. (Lopefra)

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 demonstrating that they 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 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%.

Lopefra's majority line of business is equipment rental, dump trucks, fill materials, and mason sand. In addition, Lopefra provides roll-off waste services.

BACKGROUND

Previously, on February 6, 2008 an audit was performed at Lopefra's establishment. A review of the company's invoices showed that franchise fees were charged and collected throughout the audit period. Lopefra's records showed that franchise fees were remitted timely to the City of Miami Beach. There was no audit assessment.

OVERALL OPINION

Lopefra 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.

- Gross receipts in the amount of \$8,400.00 were not reported resulting in the owing of \$1,709.94 in roll-off franchise fees and interest to the City.
- Lopefra has not filed a list of accounts and the required CPA statement of gross receipts.

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 dump fees, fuel surcharges, dry run, overload, extra month fees, relocation and waiting time charges should be included in reported gross receipts.

Out of 36 months audited gross receipts, Lopefra paid the City of Miami Beach \$84,217.28 in franchise fees for \$496,086 in reported gross receipts. Lopefra collected an additional \$8,400 in extra month fees, relocation and waiting time charges but did not report these amounts in compliance with the City Code.

The following table summarizes audited gross receipts and the amount due from Lopefra for our audit period:

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	2007 Oct-Dec	2008 Jan-Dec	2009 Jan-Dec	2010 Jan-Sept	TOTAL
Audited / Reported Gross Receipts	\$54,655.00	\$228,000.00	\$122,435.00	\$99,396.00	\$504,486.00
Roll-off Fees (Paid)	8,644.80	36,772.40	20,949.30	99,171.00	496,086.00
Unreported Revenues	625.00	1,500.00	6,050.00	225.00	8,400.00
Roll-off fees due	100.00	243.50	1,089.00	40.50	1,473.00
Interest	32.57	57.00	146.17	1.20	236.94
Total Due	\$132.57	\$300.50	\$1,235.17	\$41.70	\$1,709.94

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)

Lopefra should report all gross receipts as per the City code. This includes but is not limited to dump fees, extra month fees, fuel surcharges, dry run, overload, relocation and waiting time charges. On 12/16/2010 Lopefra paid the amount of \$1,709.94 for taxes due for unreported gross receipts.

2. Finding – Required Reporting

Lopefra 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." Lopefra 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". Lopefra 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 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 preceding fiscal year. For the calendar year 2008, Lopefra exceeded the threshold amount for requiring

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certified statements of gross receipt. However, for calendar year 2009, revenues fell below the reporting threshold; therefore no certified annual statement is needed for 2009.

Recommendation (s)

Lopetra must comply with the designated sections of the City Codes by submitting reports to the City Manager and Sanitation Director listing of accounts and certified annual statements of gross receipts for the year exceeding the reported threshold.

EXIT CONFERENCE

Audit findings were e-mailed on 11/22/2010 to Lopetra Corp. We confirmed their agreement to our findings and received payment for the audit assessment on 12/16/2010.

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
Rosemary L. Hartigan, Lopetra Corp. (In-House Counsel)