



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 19, 2008
Audit: C&C Waste Removal, Inc. Roll-Off Fees
Period: September 2005 to February 2008

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

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 C&C for period of January 2001 to August 2005. Our audit report dated November 6, 2006 produced an audit assessment of \$22,657.20. This assessment was attributed to under reporting of roll-off revenues. On 05/31/07 the City negotiated a payment arrangement at the request of C&C resulting in weekly payments to be made for the amount of \$706.26. Weekly payments were made for the first 16 weeks and then were subsequently stopped. It was also noticed that monthly returns were not being filed. Late fees were assessed for all late returns. After contacting C&C, payments for the prior audit assessment began to be intermittently submitted late.

Prior to the commencement of this audit, C&C has had internal management problems that are being resolved by the Circuit Court. The court ordered a temporary injunction dated January 4, 2008 and appointed a receiver to handle all operations at C&C. The court found evidence that one of C&C major shareholder was diverting corporate funds for personal purposes, and C&C was not being run for the benefits of its shareholders.

The current management has been very cooperative with us in conducting our audit and to resolve the previous audit assessment by making current payments. In addition past due reports have been identified and amounts of revenues were reported to us. Current report as of April 2008 has been filed timely.

OVERALL OPINION

C&C did not fully comply with the City Code's reporting provisions during the audit period. As a result, gross receipts were not reported and franchise fees were not paid to the City. The following items were noted during our audit:

- Gross receipts in the amount of \$134,104.19 were not reported, therefore C&C owes the City \$24,569.84 in delinquent roll-off franchise fees (including interest and late filing charges).
- C&C has not filed monthly Roll-off fee returns on a timely basis. C&C has nine outstanding city bills for filing franchise fees late and placing roll-offs without a permit. The total amount of outstanding city bills owed is \$3,857.38 as of June 18, 2008.
- As of June 18, 2008, C&C has an outstanding balance of \$3,162.66 from our previous audit report dated November 08, 2006.
- C&C has not filed a list of accounts and the required CPA annual statement of gross receipts.
- C&C has submitted the certificate of liability insurance.
- Internal audit discovered that boxes of invoices were missing from C&C's storage room. C&C must enhance its system of recordkeeping in order for the audit not to be hindered.

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 overloading fees, should be included in reported gross receipts. During our audit period, C&C did not report all gross receipts on returns filed with the City of Miami Beach. In addition, we found invoices and received several confirmations from C&C's customers who paid for roll off

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services within the City of Miami Beach. This amounted to \$40,689.31 in gross receipts for roll off waste removal services within the city limits which were not reported in compliance with the City Code.

C&C reported twenty-nine months of gross receipts starting from September 2005 to May 2007. However, roll off returns listing gross receipts totaling \$93,414.88 for the months of June 2007 through February 2008 were provided during the audit. C&C did not pay the roll off franchise for these nine returns.

The following table summarizes the amount due from C&C for our audit period:

	2005 (4 Months)	2006 Jan-Dec.	2007 Jan-Dec.	2008 Jan-Feb.	TOTAL
Audited Receipts	\$38,889.24	\$249,062.15	\$172,124.38	\$13,606.88	\$473,682.65
Less Reported Receipts	(5,160.00)	(244,186.58)	(170,039.88)	(13,606.88)	(432,993.34)
Add Back Gross Receipts on Returns not paid (1)	0	0	79,808.00	13,606.88	93,414.88
Unreported Gross Receipts	\$33,729.24	\$4,875.57	\$81,892.50	\$13,606.88	\$134,104.19
Roll-Off Fees Due (16%)	\$5,396.68	\$780.09	\$13,102.80	\$2,177.10	\$21,456.67
Interest Due	1,204.52	116.87	1,189.26	2.52	2,513.17
Late Filing Fees Due	50.00	0	500.00	50.00	600.00
Total Due	\$6,651.20	\$896.96	\$14,792.06	\$2,229.62	\$24,569.84

Note (1): During our audit, C&C prepared returns for the past due period of June 2007 to February 2008. These numbers were used in our Reported Receipts above, however they were then adjusted for non-payment.

Recommendation

C&C must remit the amount of \$24,569.84 for unreported receipts. Roll-off franchise fees should be charged, collected and remitted timely on all Miami Beach gross receipts.

2. Finding – Outstanding City Bills

During the audit period, the following City Bills were issued due to the late filing of several months of roll off fee returns. In addition one code violation was issued and payment is still outstanding.

Date	Reference #	Item	Amount
11/30/06	CB#3957	Late Return	\$931.61
12/15/06	CB#4074	Late Return	299.44
02/21/07	CB#4560	Late Return	152.13
04/11/07	CB#4967	Placing roll off w/o a permit	1,000.00
04/25/07	CB#5036	Late Return	199.52
06/13/07	CB#5874	Late Return	328.14
06/20/07	CB#5936	Late Return	248.91
01/15/08	CB#7108	Late Return	327.13
04/02/08	CB#7752	Late Return	370.50
Totals			\$3,857.38

Recommendation

C&C must remit the amount of \$3,857.38 for the above city bills. Roll-off franchise fees should timely remitted 30 days after the end of each month. Recordkeeping needs to be improved in

order for C & C to release payment in a timely manner. In addition, permits should be obtained for all locations of roll off containers.

3. Finding – Required Reporting

C&C did not submit the following documents in accordance with the listed City Code sections during the audit period:

- a. Section 90 - 278 (4) states "*The licensee shall deliver to the finance director and the city manager a true and correct monthly report of gross receipts generated during the previous month from accounts within the city on or before the last day of each month. This detailed monthly report shall include the customers' names, service addresses, account numbers, and the actual amount collected from each customer.*" Therefore, all monies collected by the roll-off waste contractor from Miami Beach service addresses, including fuel surcharges and overloading fees, should be included in reported gross receipts. C&C under reported gross receipts on returns filed with the City of Miami Beach. Returns were filed for twenty-nine months during the audit period; they did not contain all related Miami Beach revenues and the supporting listing of accounts. However, a list of accounts was provided during the audit.
- b. 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.*" C&C 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.
- c. 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.*" C&C 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.
- d. City Code Section 90-196 lists the insurance coverage that must be maintained by roll-off waste contractors. C&C provided the required insurance to the city.

Recommendation

C&C must comply with the designated sections of the City Codes and submit timely monthly reports of gross receipts, lists of accounts and certified annual statements of gross receipts.

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EXIT CONFERENCE

Audit findings were faxed on 05/23/08 to John Cinellis and Howard Izenwasser of C&C Waste. They concurred with our audit assessment on 06/13/08 and a city bill will be mailed for the amount.

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
John Cinellis, C&C Waste, Inc.
Howard Izenwasser, C & C Waste, Inc.