

CITY OF MIAMI
OFFICE OF INDEPENDENT AUDITOR GENERAL



S&S NATIONAL WASTE, INC.

AUDIT REPORT NO. 09-002

Prepared By

Office of Independent Auditor General

Victor I. Igwe, CPA, CIA
Independent Auditor General

PAULINO GARCIA, STAFF AUDITOR

City of Miami

VICTOR I. IGWE, CPA, CIA
Independent Auditor General



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January 12, 2009

Honorable Members of the
City Commission
City of Miami
3500 Pan American Drive
Coconut Grove, FL 33133-5504

Re: S&S National Waste, Inc.
Audit No.09-002

Pursuant to Section 48 of the City of Miami's (City) Charter and the Fiscal year 2008/2009 audit plan, we have examined the billing records of S&S National Waste, Inc. (S&S). The audit was performed to determine whether S&S complied with applicable Sections of the City Code and the Commercial Solid Waste Franchise Agreement (Agreement) between the City and commercial solid waste hauling companies. Chapter 22 of the City Code and said Agreement regulates the operation of commercial solid waste services in the City.

Additionally, we examined the internal control policies and procedures in the City's Solid Waste Department to determine whether they were adequate and effective in administering and overseeing the operation of commercial solid waste services in the City.

The audit covered the period October 1, 2006 through September 30, 2008 and selected financial transactions that were processed prior and subsequent to this period.

Sincerely,

A handwritten signature in black ink that reads "Victor Igwe". The signature is written in a cursive, slightly slanted style.

Victor I. Igwe, CPA, CIA
Independent Auditor General
Office of Independent Auditor General

C: The Honorable Mayor Manuel A. Diaz
Pedro G. Hernandez, Chief Administrator/City Manager
Members of the Audit Advisory Committee
Melinda Niemela, Executive Vice President, S&S National Waste, Inc.
Roger Hernstadt, Assistant City Manager, Office of the City Manager
Bill Anido, Assistant City Manager, Office of the City Manager
Larry M. Spring, Assistant City Manager/Chief Financial Officer
Peter W. Korinis, Chief Information Officer, Information Technology Department
Michael J. Boudreaux, Director, Budget Department
Julie O. Bru, City Attorney, City Attorney's Office
Henry Hunnefeld, Assistant City Attorney, City Attorney's Office
Mario A. Soldevilla, Director, Solid Waste Department
Priscilla A. Thompson, City Clerk, City Clerk's Office
Diana M. Gomez, CPA, Director, Finance Department
Demetrio Constantiny, Accounts Receivable Supervisor, Finance Department
Audit Documentation File

**AUDIT OF S&S NATIONAL WASTE, INC. (S&S)
OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2008**

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INTRODUCTION

On July 25, 2002, and October 14, 2004, the City Commission passed and adopted Ordinance Numbers 12258 and 12599, respectively, amending Chapter 22, Articles I, II, and III of the City Code. A total of 25 firms signed the Commercial Solid Waste Franchise Agreement (Agreement), which authorized them to operate commercial solid waste hauling services in the City of Miami for the period starting November 1, 2004 through September 30, 2009, with a three year renewal option period through September 30, 2012. The option to renew the Agreement for an additional three year period will be at the sole discretion of the City.

Article V of the Agreement titled “Franchise Fees” stipulates that the following fees be assessed and collected:

- **Gross Receipts Franchise Fees.** In accordance with Article II, Section 2.2 of the Agreement, the term “Gross Receipts” shall mean, “all monies whether paid by cash, check, debit or credit, collected from customers for garbage, solid waste, fuel surcharge, construction and demolition debris, roofing materials, trash, litters, refuse and/or rubbish collection removal and disposal services rendered, or from any other source related directly from waste collection services by the FRANCHISEE, exclusive of taxes as provided by law, whether wholly or partially collected within the CITY, less bad debts.” During the period October 1, 1999 through September 30, 2004, the franchisee was required to remit to the City 20% of the gross receipts generated. Effective October 1, 2004, the rate increased to 22%. A one and one-half percent (1-1/2%) late payment penalty fee would be assessed per month on any balance due.
- **Annual Franchise Fee.** The sum of \$5,000 (increased annually by \$500) for the right to provide commercial solid waste services and special waste handling

services within the City. A one and one-half percent (1-1/2%) late payment penalty fee would be assessed per month on any balance due.

- Annual Specialized Waste Handling Service Fee. The sum of \$1,000 (increased annually by \$500, thus \$2,000 and \$2,500 were due for the fiscal year ended September 30, 2007 and September 30, 2008, respectively) for the right to provide “Specialized Waste Handler” services within the City. Ordinance 12258, Section 22-1 defines “Specialized Waste Handlers” as companies whose primary business is limited to collecting and disposing of solid waste that requires special handling and management; including, but not limited to, white goods (appliances), waste tires, used oil, lead-acid batteries, construction and demolition debris, ash residue, biomedical and biological waste. A one and one-half percent (1-1/2%) late payment penalty fee is assessed monthly on any balance due.
- Permit Per Account Fee. The franchisee is required to pay \$50 for each account contracted within the City for commercial solid waste services and/or specialized waste handling services; including, each container and/or roll-off utilized by franchisee in the course of providing solid waste services. The franchisee may only pass on an amount not to exceed \$24 of paid Permit Per Account Fee to each contracted customer. This fee is not transferable. A one and one-half percent (1-1/2%) late payment penalty fee is assessed monthly on any balance due.

During the fiscal year, October 1, 2007 through September 30, 2008, the twenty five (25) franchisees remitted a total of \$13,334,898 to the City. S&S is one of the franchisees selected for review to determine compliance with the provisions of the Franchise Agreement. A separate audit report will be issued for each of the franchisees audited.

The Solid Waste Department (SWD) is responsible for ensuring that commercial solid waste service accounts and applicable fees/transactions are properly assessed and paid to the City. The SWD is also responsible for monitoring the operations of the commercial

solid waste franchisees. This audit report describes whether S&S and the SWD complied with the terms of the Agreement and applicable Sections of the City Code.

SCOPE AND OBJECTIVES

This audit was performed pursuant to the authority set forth in Section 48 of the City's Charter titled, "Office of the Independent Auditor General", and was conducted in accordance with the Fiscal Year 2008/2009 Audit Plan. As part of our oversight responsibilities, the Office of the Independent Auditor General performs financial and operational audits to determine the extent of compliance with terms of contracts, programs, and/or lease agreements between the City and private companies. This audit focused primarily on whether S&S National Waste, Inc. (S&S) and the City's Solid Waste Department (SWD) complied with the terms of the Commercial Solid Waste Franchise Agreement (Agreement) and with Chapter 22 of the City's Code, which govern the operation of commercial solid waste collection services in the City. The audit also included examinations of various transactions to determine whether they were processed in accordance with the generally accepted accounting principles. The audit covered the period October 1, 2006 through September 30, 2008 and focused on the following broad objectives:

- To ascertain whether all customer accounts located in the City were properly identified, coded, and assessed the appropriate fees.
- To determine whether all the applicable franchise fees as stipulated in Article V of the Agreement were properly computed and remitted to the City.
- To review the annual statement of gross receipts that was prepared by an independent Certified Public Accountant retained by S&S. Additionally, to determine whether said statement was submitted to the SWD within 60 days following the close of the fiscal year.

- To ascertain whether the fees remitted to the City were properly recorded in the City's accounting system and deposited into the City's treasury.
- To verify whether the appropriate public liability insurance and bonds were obtained as required by Article VII of the Agreement.
- To examine the internal control policies and procedures of S&S and the City's Solid Waste Department and determine whether they were adequate and effective in administering and overseeing the operation of commercial solid waste hauling services in the City.
- To follow-up on prior audit findings and determine the status of all unresolved and outstanding issues.

METHODOLOGY

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence in order to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit methodology included the following:

- Interviewed and inquired of appropriate personnel; reviewed and observed applicable written policies and procedures in order to gain an understanding of the internal controls; assessed control/audit risks; and planned substantive testing.
- Performed substantive testing consistent with the audit objectives.
- Examined, on a test basis, applicable transactions and records.
- Determined compliance with all the objectives noted on pages 4 and 5
- Performed other audit procedures as deemed necessary.
- Drew conclusions based on the results of the testing and made corresponding recommendations and obtained the auditee's responses and corrective action plans.

AUDIT CONCLUSION

Based upon various tests performed and the audit findings noted, we conclude that adequate internal controls were not in place to ensure that:

- All applicable franchise fees were remitted to the City in a timely manner
-
- All project sites located within City limits were reported to the City during the period October 1, 1999 through January 16, 2002. The City was never provided with the related records needed to determine the actual franchise fee revenues due to the City.
- The appropriate amount of performance bond, executed by a surety company, was obtained for the fiscal year 2006/2007.

Based upon various test performed and the audit findings noted, we conclude that adequate internal controls were in place to ensure that:

- Franchise Fees remitted to the City were properly recorded in the City's accounting system and deposited in the City's Treasury.
- Appropriate public liability insurance was obtained as required by Article VII of the Agreement.
- The SWD obtained vehicle insurance certificates and the CPA statement as required by the City Code and the Agreement.

Overall we conclude that the internal control policies and procedures in place at the S&S National Waste, Inc. and at the City's Solid Waste Department were not adequate and effective in administering and overseeing the operation of commercial waste hauling services in the City.

SUMMARY OF AUDIT FINDINGS

S&S NATIONAL WASTE, INC., THE CITY'S SOLID WASTE AND FINANCE DEPARTMENTS.

COMPLIANCE WITH CERTAIN SECTIONS OF THE CITY CODE AND THE FRANCHISE AGREEMENT

We conducted various audit tests, on a sample basis, to determine compliance with certain Sections of the City Code, the Commercial Solid Waste Franchise Agreement, and other guidelines. Our tests disclosed that S&S National Waste, Inc. (S&S), the Solid Waste Department (SWD), and the Finance Department (FD) materially complied with the following:

- The FD properly recorded the sampled payments from S&S to the City. The sampled payments received by the FD were also traced to the City's treasury.
- S&S complied with the vehicle insurance requirement as stipulated by Section 22-47 (4a) of the City Code.
- The SWD obtained vehicle insurance records as stipulated by Section 22-47(4)a of the City Code.
- The SWD obtained the statement of annual gross receipts prepared by an independent certified public accountant as stipulated in section 22-56(b) of the City Code and Article V, section 5.3 of the agreement

S&S NATIONAL WASTE, INC.

ADDITIONAL FEES DUE TO THE CITY

Article V, Section 5.2 of the Agreement titled “Franchise Fees” stipulates certain fees the franchisee is required to remit to the City. Our review of S&S National Waste, Inc.’s (S&S) accounting and billing records disclosed that \$2,029.72 is due to the City for the franchise fees transactions assessed during the period October 1, 2006 through September 30, 2008. Additionally, the Office of the Independent Auditor General reached a \$10,000 settlement agreement with S&S in connection with certain project sites that were not reported to the City during the period October 1, 1999 through January 16, 2002 for which S&S could not provide the relevant records as discussed on page 12. The total amount [$\$12,029.72 = (\$10,000 + \$2,029.72)$] due to the City has been remitted to the City. See detailed discussions on pages 10 through 13.

LACK OF COMPLIANCE WITH THE COMMERCIAL SOLID WASTE FRANCHISE AGREEMENT AND THE CITY CODE

S&S did not maintain the required amount of surety bond during fiscal year 2006/2007 as stipulated in Section 22-47(4)b of the City Code and article VII, Section 7.2 of the Agreement, as discussed on page 9.

AUDIT FINDINGS AND RECOMMENDATIONS

S&S NATIONAL WASTE, INC.

ADDITIONAL FEES DUE TO THE CITY

Article V, Section 5.2 of the Commercial Solid Waste Franchise Agreement (Agreement) titled “Franchise Fees” stipulates the various franchise fees (FF) to be remitted to the City. S&S National Waste, Inc. (S&S) generated gross receipts totaling \$5,503,626 and \$3,023,278 for services provided within the City during the fiscal years 2006/2007 and 2007/2008, respectively. The total gross receipts are revenues generated solely from roll-off container accounts. The total FF remitted to the City during the fiscal years 2006–2007 and 2007/2008 were \$1,210,130 and \$665,234, respectively. Our review of S&S’s accounting and billing records disclosed that an additional \$2,029.72 is due to the City for the franchise fees transactions assessed during the period October 1, 2006 through September 30, 2008, as itemized below. Additionally, the Office of the Independent Auditor General reached a \$10,000 settlement agreement with S&S in connection with certain project sites that were not reported to the City during the period October 1, 1999 through January 16, 2002 for which S&S could not provide the relevant records as discussed on page 12.

ANNUAL FEES

- Article V, Section 5.7 of the Agreement stipulates that franchisee agrees to remit to the City annually (due October 1) the sum of \$1,000 (increased annually by \$500, thus \$2,000 and \$2,500 were due for the fiscal years 2006-2007 and 2007-2008 respectively) for the right to provide only Specialized Waste Handling Services within the City limits. Failure to remit by the last date of the following month will result in a one and one-half percent (1-1/2%) penalty per month on the balance due to the City. Our audit disclosed that S&S remitted its annual fee seven (7) months late for the 2006-2007 fiscal

year and one (1) month late for the 2007-2008 fiscal year. As a result of the late remittances, a total late fee of \$247.50 is due to the City.

PERMIT PER ACCOUNT FEES

- Article V, Section 5.6 of the Agreement requires the franchisee to remit to the City annually (due October 15) Permit Per Account Fee (PPAF) in the amount of \$50 for each account contracted for commercial solid waste handling services within the City, including each container and/or roll-off utilized by franchisee. Failure to remit the required PPAF by the due date will result in a one and one-half percent (1-1/2%) per month on the balance due to the City. Our audit disclosed that:

- S&S remitted its PPAF two (2) months late for the 2006-2007 fiscal year and one (1) month late for the 2007-2008 fiscal year. As a result of the late remittances, a total late payment fee of \$126 is due to the City.
- S&S did not remit to the City the \$50 annual PPAF relative to nine (9) roll-off container accounts for the fiscal year 2006-2007 and four (4) roll-off container accounts for fiscal year 2007-2008. As a result, the un-remitted PPAF and related late fees totaling \$867.50 are due to the City.

FRANCHISE FEES (22%)

- Article V, Section 5.2 of the Commercial Solid Waste Franchise Agreement (Agreement) requires the Franchisee to remit to the City 22 percent (22%) of its monthly gross receipts generated from accounts within the City limits, or \$500 whichever is greater. The remittance of the previous month's collection

should be received by the City on or before the last day of each month. Failure to remit by the last day of the following month will result in a one and one-half percent (1-1/2%) penalty per month on the balance due. Our review of the statement of gross receipts prepared and certified by the independent certified public accountant (CPA) retained by S&S pursuant to Section 22-56(b) of the City Code indicated that a total of \$5,503,625.85 of gross receipts was generated from accounts located within the City during the fiscal year 2006-2007. Therefore, the 22% of the gross receipts due and payable to the City based on the total gross receipts certified by the CPA will be \$1,210,797.69 (22% of \$5,503,625.85). However, our audit disclosed that S&S remitted to the City \$1,210,130.09, which is \$667.60 less than the amount due and payable to the City. As a result, the un-remitted franchise fees and the related late payment penalty totaling \$789.22 (\$667.61 + \$121.61) are due to the City.

RESOLUTION OF THE FRANCHISE FEES DUE AND PAYABLE TO THE CITY RELATIVE TO THE GROSS RECEIPTS GENERATED FROM 33 PROJECT SITES.

- Our audits of S&S National Waste, Inc. (S&S) for the fiscal years ended September 30, 2006 and September 30, 2007 included a review of the supporting working papers of an audit of S&S that was performed by the City's Solid Waste Department (SWD). The SWD audit of S&S franchise fee transactions disclosed that S&S provided services to 33 project sites located within City limits that were never reported to the City during the period October 1, 1999 through January 16, 2002. Also, the City was not provided with the related records needed to determine the franchise fee revenues due to the City. However, after consultation with the City Attorney's Office, a settlement was reached and the City agreed to accept a \$10,000 payment to settle claims of franchise fees due and payable to the City relative to the 33 project sites for the period October 1, 1999 through January 16, 2002.

Recommendation:

S&S National Waste, Inc. (S&S) has remitted the total amount [\$12,029.72 = (\$10,000+\$2,029.72)] due to the City. We recommend that S&S enhance its internal control procedures to ensure that service accounts located within the City boundaries are properly identified and coded and that the appropriate fees are remitted to the City in a timely manner as required.

Auditee's Response and Action Plan:

The auditee concurred with all audit findings and recommendations. See written responses and pages 16 through 22.

FAILURE TO OBTAIN THE REQUIRED AMOUNT OF SURETY BOND

Article VII, Section 7.2 of the Franchise Agreement stipulates that franchisee agrees to maintain a Performance Bond, executed by a surety company duly authorized to do business in the State of Florida. The amount of the bond shall be equal to the franchisee's previous 12 months franchise fees paid to the City (including the annual franchise fee, the 22% monthly franchise fee, the annual permit per account fee, and any other franchise fees paid to the City) or a minimum of \$25,000 whichever is greater, as security for the faithful performance of the franchise agreement. Our audit disclosed that the total franchise fees due and payable to the City during fiscal year 2006/2007 was \$1,215,080.09. However, S&S maintained a surety bond of \$1,210,578 during said period. Please note that S&S currently maintains the required amount of surety bond. Therefore, no corrective action is deemed necessary.

Recommendation:

We recommend that at the end of each fiscal year, S&S determine the total amount of franchise fees it remitted to the City (including the annual franchise fee, the 22% monthly franchise fee, the annual permit per account fee, and any other franchise fees paid to the City) during the previous 12 months. Upon such determination S&S should obtain any additional surety bond necessary to comply with the requirements stipulated in Article VII, Section 7.2 of the Agreement

Auditee's Response and Action Plan:

The auditee concurred with all audit findings and recommendations. See written responses and pages 18 and 19.

SOLID WASTE DEPARTMENT

INADEQUATE MONITORING AND ENFORCEMENT OF THE PROVISIONS OF THE COMMERCIAL SOLID FRANCHISE AGREEMENT

The Solid Waste Department (SWD) is responsible for administering, monitoring, and enforcing the provisions of Chapter 22 of the City Code and the Commercial Solid Waste Franchise Agreement (Agreement) between the City and the franchisees. Article VII, Section 7.2 of the Franchise Agreement stipulates that franchisee agrees to maintain a Performance Bond, executed by a surety company duly authorized to do business in the State of Florida. The amount of the bond shall be equal to the franchisee's previous 12 month franchise fees paid to the City (including the annual franchise fee, the 22% monthly franchise fee, the annual per account fee, and any other franchise fees paid to the City) or a minimum of \$25,000, whichever is greater, as security for the faithful performance of the franchise Agreement. Our audit disclosed that S&S remitted to the City franchise fees totaling \$1,215,080.09 for fiscal year 2006-2007. However, during the fiscal year 2006/2007 S&S maintained a surety bond of \$1,210,578, which is \$4,502.09 less than the required amount of surety bond.

Recommendation:

We recommend that SWD enhance its internal control procedures to ensure that franchisees comply with all applicable provisions of the City Code and the Franchise Agreement.

Auditee's Response and Action Plan:

The SWD concurred with this audit finding and recommendation. Please see the written response on page 23.

✓ 44945

City of Miami

VICTOR I. IGWE, CPA, CIA
INDEPENDENT AUDITOR GENERAL



Telephone (305) 416-2040
Telecopier: (305) 416-2046
E-Mail: iag@cl.miami.fl.usa

December 17, 2008

Ms. Melinda Niemela, EVP
S&S National Waste, Inc.
1486 Skees Road, Ste D
West Palm Beach, FL 33411

RE: Audit of S&S National Waste, Inc. (S&S)
Audit #09-002

Dear Ms. Niemela:

In connection with our audit of S&S National Waste, Inc. for the period October 1, 2006 through September 30, 2008, and selected transactions prior and subsequent to this period, our audit disclosed that additional franchise fees totaling \$2,029.72 (W/P T-1) is due to the City as summarized below:

- I. Article V, Section 5.7 of the Commercial Solid Waste Franchise Fee Agreement (Agreement) stipulates that franchisee agrees to remit to the City annually (due October 1) the sum of \$1,000 (increased annually by \$500, thus \$2,000 and \$2,500 were due for the fiscal years 2006-2007 and 2007-2008 respectively) for the right to provide only Specialized Waste Handling Services within the City limits. Failure to remit the required annual fee by the due date will result in a one and half percent (1-1/2%) per month on the balance due to the City. Our audit disclosed that S&S remitted its annual fee seven (7) months late for the 2006-2007 fiscal year and one (1) month late for the 2007-2008 fiscal year. As a result of the late remittances, a total late fee of \$247.50 is due to the City. (W/P T-9, T-119)

I agree I disagree _____ Please initial: MN

Explanation _____

II. Article V, Section 5.6 of the Agreement requires the franchisee to remit to the City annually (due October 15) a permit per account fee (PPAF) in the amount of \$50 for each account contracted for commercial solid waste handling services within the City, including each container and/or roll-off utilized by franchisee. Failure to remit the required PPAF by the due date will result in a one and half percent (1-1/2%) per month on the balance due to the City. Our audit disclosed that:

- S&S remitted its PPAF two (2) months late for the 2006-2007 fiscal year and one (1) month late for the 2007-2008 fiscal year. As a result of the late remittances, a total late payment fee of \$125.50 is due to the City. (W/P T-14, T-123)
- S&S did not remit to the City the \$50 annual PPAF relative to nine (9) roll-off container accounts for the fiscal year 2006-2007 and the four (4) roll-off container accounts for fiscal year 2007-2008 that it provided services. As a result, the un-remitted PPAF and related late fees totaling \$867.50 are due to the City. (W/P T-14, T-123)

I Agree I Disagree _____ Please initial: MN

Explanation _____

III Article V, Section 5.2 of the Commercial Solid Waste Franchise Agreement (Agreement) requires the Franchisee to remit monthly to the City 22 percent (22%) of its Gross Receipts generated from accounts within the City limits, or \$500 whichever is greater. The remittance of the previous month's collection should be received by the City on or before the last day of each month. Failure to remit by the last day of the following month will result in one and half percent (1-1/2%) penalty per month on the balance due. Our review of the statement of gross receipt prepared and certified by the independent certified public accountant (CPA) retained by S&S pursuant to Section 22-56(b) of the City Code indicated that a total of \$5,503,625.85 of gross receipts was generated from accounts located within the City during the fiscal year 2006-2007. Therefore, the 22% of the gross receipts due and payable to the City based on the total gross receipts certified by the CPA will be \$1,210,797.69 (22% of \$5,503,625.85). However, our audit disclosed that S&S remitted to the City \$1,210,130.09 which is \$667.60 less than the amount due and payable to the City. As a result, the un-remitted franchise fees and the related late payment penalty totaling \$789.22 (\$667.61 + \$121.61) are due to the City. (W/P T-33)

I agree I disagree Please Initial: MN

Explanation: _____

IV Article VII, Section 7.2 of the Franchise Agreement stipulates that franchisee agrees to maintain a Performance Bond, executed by a surety company duly authorized to do business in the State of Florida. The amount of the bond shall be equal to the franchisee's previous 12 month franchise fees paid to the City (including the annual franchise fee, monthly 22% franchise fee, annual permit per account fee, and any other franchise fees paid to the City) or a minimum of \$25,000 whichever is greater as security for the faithful performance of the franchise Agreement. Our audit disclosed that S&S remitted to the City franchise fees totaling \$1,215,080.09 for fiscal year 2006-2007. However, S&S maintained a surety bond of \$1,210,000. Accordingly, the required amount of surety bond needs to be increased by \$4,502.09. (W/P T-22)

1,210,578.09

I Agree X I Disagree _____ Please Initial MN

Explanation: We cannot increase a surety bond that existed 2-years ago and are requesting that this request is unnecessary and be dropped. Thank you.

V. RESOLUTION OF THE FRANCHISE FEES DUE AND PAYABLE TO THE CITY RELATIVE TO THE GROSS RECEIPTS GENERATED FROM 33 PROJECT SITES

Our audits of S&S National Waste, Inc. (S&S) for the fiscal years ended September 30, 2006 and September 30, 2007 included a review of the supporting working papers of an audit of S&S that was performed by the City's Solid Waste Department (SWD). The SWD audit of S&S franchise fee transactions disclosed that S&S provided services to 33 project sites located within City limits that were never reported to the City during the period October 1, 1999 through January 16, 2002. The City was not provided with the related records needed to determine the franchise fee revenues due to the City. However, after consultation with the City Attorney's Office, a settlement was reached and the City agreed to accept \$10,000 payment to settle claims of franchise fees due and payable to the City relative to the 33 project sites for the period October 1, 1999 through January 16, 2002. (W/P S-24).

I Agree X I Disagree _____ Please Initial MN

Explanation: Thank you for settling. It is much appreciated to have this past issue behind us all.

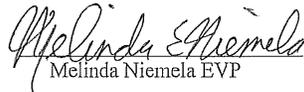
Please confirm our understanding by indicating whether you agree or disagree with each of the observations described above by checking the appropriate box and include your initials on the space provided for each observation. Also, sign on the space provided below and return this memorandum to us. In the event that you disagree with any of the items listed above, please

Page 5 of 5
Ms. M. Niemela
December 17, 2008

provide your written explanations and attach all supporting documents/records. Please respond by December 27, 2008.

A summary schedule is attached for your reference. If you have any questions, please feel free to contact me at (305) 416-2042 or Victor Igwe (the Independent Auditor General) at (305) 416-2044.

Thank you for your attention in this matter.


Melinda Niemela EVP

12/18/08
Date

Sincerely,


Paulino Garcia
Staff Auditor
Office of Independent Auditor General

C: Mario E. Soldevilla, Director, Solid Waste Department
Steven Margolis, Principal Auditor, Solid Waste Department
Victor Igwe, CPA, CIA, Auditor General
Henry Hunnefeld, Assistant City attorney



BICON, INC
 dba S&S NAT
 1486 SKEES RD
 WEST PALM BEACH, FL 33411
 561-340-3111

NOV 03 2008

44611

ORDER OF City Of Miami

**10,000.00

Ten Thousand and 00/100

DOLLARS

City Of Miami
 Finance Department/Collections
 444 SW 2nd Ave, 6th Floor
 Miami, FL 33130

MEMO



BICON, INC. dba S&S NATIONAL WASTE

[Handwritten Signature]
 AUTHORIZED SIGNATURE

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

BICON, INC. dba S&S NATIONAL WASTE

City Of Miami

Settlement for Audit

10/3/2008

44611

10,000.00

Checking *4448

10,000.00

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER



BICON, INC.
dba S&S NATIONAL WASTE
1486 SKEES RD. STE. D
WEST PALM BEACH, FL 33411
561-340-3111

WACHOVIA
63-643/670

44945

DATE 12/23/2008

PAY
TO THE
ORDER OF

City Of Miami

\$*2,029.72

DOLLARS

Two Thousand Twenty-Nine and 72/100*****

City Of Miami
Finance Department/Collections
444 SW 2nd Ave, 6th Floor
Miami, FL 33130



BICON, INC. dba S&S NATIONAL WASTE

MEMO
Acct#62139

AUTHORIZED SIGNATURE

SECURITY FEATURES INCLUDED. DETAILS ON BACK.

BICON, INC. dba S&S NATIONAL WASTE

City Of Miami

Date 12/17/2008
Type Bill
Reference 06-07 audit

Original Amt. 2,029.72
Balance Due 2,029.72
Check Amount

12/23/2008
Discount
Payment 2,029.72

44945

Checking *4448 Acct#62139

2,029.72

CITY OF MIAMI, FLORIDA
INTER-OFFICE MEMORANDUM

TO :	Paulino Garcia, Staff Auditor Office of Independent Auditor General	DATE :	January 6, 2009	FILE :	
		SUBJECT :	Response to Memo of Understanding- S & S		
FROM :	Mario E. Soldevilla, Director Department of Solid Waste	REFERENCES :	Audit #09-1102		
		ENCLOSURES :			

I. Performance Bond:

At the commencement of each fiscal year, our department sends every commercial solid waste hauler a letter reminding them of their financial and fiduciary responsibilities to the City. We have also instituted stronger internal control procedures to monitor each commercial hauler. Our department is pleased to see that your own staff auditor reviewed our more aggressive follow-up letter dated February 16, 2007.

In the future, even stronger follow-up letters will be sent, reminding Franchisees that they must adhere to all covenants of the Agreement, as well as, Chapter 21 of the City Code. Any Franchisee not in compliance within 14 days of notification by this Department of deficiencies that exist, will then be notified that their license can and will be suspended or revoked, dependent upon the severity of the deficiency.

We discussed this finding with the CFO and the EVP of S & S and informed them that the Performance Bond not only must include the 22% of Gross Receipts, but also the annual per account fee and the annual fee, adjusted up or down each October, based upon the previous years remittance to the City. It should be noted that during the audit period, S & S maintained a Performance Bond of \$1,210,578.00 and not \$1,210,000.00 as noted in the memo of understanding. We do agree that the Bond was a little low by \$4,502.09.

c: Steven Margolis, Auditor
Joe Tang, Fiscal Administrator

EXHIBIT I

**S&S NATIONAL WASTE, INC. (S&S)
SCHEDULE OF FEES DUE TO THE CITY
OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2008**

DESCRIPTION	ITEMIZED AMOUNT	TOTAL FEES DUE
<u>October 1, 1999 through January 16, 2002</u>		
Franchise fees settlement amount	\$	\$ 10,000.00
<u>FISCAL YEAR ENDED 9/30/2007</u>		
Annual Franchise Fee		
Remitted to the City seven (7) months late	<u>210.00</u>	210.00
Permit Per Account Fee		
Remitted to the City two (2) months late	88.50	
Nine (9) Unreported Accounts	<u>625.50</u>	714.00
Franchise Fees (22%)		
Unremitted Fees (Per CPA Report)	<u>789.22</u>	789.22
<u>FISCAL YEAR ENDED 9/30/2008</u>		
Annual Franchise Fee		
Remitted to the City one (!) month late	<u>37.50</u>	37.50
Permit Per Account Fee		
Remitted to the City one (1) month late	37.50	
Four (4) Unreported Accounts	<u>242.00</u>	279.50
TOTAL FEES DUE TO THE CITY		<u>\$ 12,030.22</u>
TOTAL AMOUNT REMITTED TO THE CITY		<u>12,029.72</u>
BALANCE DUE TO THE CITY (NOT MATERIAL)		<u>\$ 0.50</u>