

CITY OF MIAMI
OFFICE OF INDEPENDENT AUDITOR GENERAL



ALL SERVICE – MIAMI-DADE DIVISION

AUDIT REPORT NO. 09-022

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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August 19, 2009

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

Re: Audit of All Service – Miami-Dade Division
Audit No. 09-022

Pursuant to Section 48 of the City of Miami's (City) Charter and the Fiscal year 2008 audit plan, we have examined the billing records of All Service – Miami-Dade Division (AS). The audit was performed to determine whether AS 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, 2007 through September 30, 2008 and selected financial transactions that were processed prior and subsequent to this period.

Sincerely,



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
Al Blease, All Service-Miami Dade Division General 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
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 ALL SERVICE – MIAMI DADE DIVISION
OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

TABLE OF CONTENTS

INTRODUCTION.....	1
SCOPE AND OBJECTIVES.....	4
METHODOLOGY.....	6
AUDIT CONCLUSION.....	7
SUMMARY OF AUDIT FINDINGS	8
ALL SERVICE – MIAMI-DADE DIVISION, THE CITY’S SOLID WASTE AND FINANCE DEPARTMENTS.....	8
COMPLIANCE WITH CERTAIN SECTIONS OF THE CITY CODE AND THE FRANCHISE AGREEMENT	8
ADDITIONAL FEES DUE TO THE CITY.....	9
AUDIT FINDINGS AND RECOMMENDATIONS	10
ALL SERVICE – MIAMI-DADE DIVISION	10
ADDITIONAL FEES DUE TO THE CITY.....	10
ANNUAL FEES.....	10
PERMIT PER ACCOUNT FEES.....	10
FRANCHISE FEES (22%).....	11
EXHIBIT I.....	17

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, thus \$6,500 was due for the audit period 2007-2008) for the right to provide commercial solid waste handling services within the City limits. Failure to remit

the required annual fee 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.

- Annual Specialized Waste Handling Service Fee. The sum of \$1,000 (increased annually by \$500, thus \$2,500 was due for the fiscal year 2007/2008) 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 franchisees remitted a total of \$13,334,898 to the City. All Service is one of the franchisees selected for audit 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 AS 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 All Service – Miami-Dade Division (AS) 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, 2007 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 AS. Additionally, to determine whether said statement was submitted to the SWD within 60 days after the end 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 All Service – Miami-Dade Division 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 risk; 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, made corresponding recommendations, 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 customer accounts located in the City were properly identified, coded, and assessed the appropriate fees.
- Annual Franchise Fee was remitted to the City in a timely manner.
- All accounts active as of October 1, 2007 were identified and included in the Per Account Fee list submitted to the City.
- A list of customer's names and addresses were included along with the monthly remittances as required by the Agreement.
- All the franchise fees generated from accounts within the City were reported and remitted to the City.

Based upon various tests 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 as required by the City Code and the Agreement.

Overall, we conclude that the internal control policies and procedures in place at All Service – Miami-Dade Division (AS) could be enhanced to ensure a more effective operation of commercial solid waste hauling services in the City.

SUMMARY OF AUDIT FINDINGS

ALL SERVICE – MIAMI-DADE DIVISION, 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 provisions of the City Code, the Commercial Solid Waste Franchise Agreement, and other guidelines. Our tests disclosed that All Service – Miami-Dade Division (AS), the City’s Solid Waste Department (SWD), and the Finance Department (FD) materially complied with the following:

- The FD properly recorded the sampled payments from AS to the City. The sampled payments received by the FD were also traced to the City’s treasury.
- AS 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(4a) of the City Code.
- The SWD obtained the statement of annual gross receipts prepared by an independent Certified Public Accountant as required by the City Code and the Agreement

ALL SERVICE – MIAMI-DADE DIVISION

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 All Service – Miami-Dade Division’s accounting and billing records disclosed that \$8,969.24 is due to the City from the franchise fee transactions assessed during the audit period. See detailed discussions on pages 10 through 12.

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

Our audit disclosed that a list of customer’s names and addresses were not included along with the monthly remittances as required by the Agreement.

AUDIT FINDINGS AND RECOMMENDATIONS

ALL SERVICE – MIAMI-DADE DIVISION

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. All Service generated total gross receipts of \$5,768,959 for services provided within the City during the audit period (fiscal years 2007-2008). The total gross receipts include revenues generated from commercial solid waste and specialized waste handling services. The total FF remitted to the City during the audit period was \$1,269,171. Our audit of AS’s accounting and billing records disclosed that \$8,969.24 is due and payable to the City from the franchise fee transactions assessed during the audit period, as itemized below:

ANNUAL FEES

Article V, Section 5.4 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 \$5,000 (increased annually by \$500, thus \$6,500 was due for the audit period) for the right to provide Solid Waste Handling Services within the City limits. Failure to remit the required annual fee 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 determined that the annual franchise fee was not remitted in a timely manner during the audit period. As a result of the late remittance, a late payment penalty totaling \$97.50 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 (October 15th) 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 the franchisee. Failure to remit the required PPAF by the due date will result in a late payment penalty of one and one-half percent (1-1/2%) per month on the balance due to the City. Our audit determined that the PPAF for four (4) service accounts that were active as of October 2007 were not assessed and remitted to the City, as required. As a result, the unremitted PPAF and the applicable late/penalty fees totaling \$260 (\$200 + \$60) 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 monthly to the City 22 percent (22%) of the 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. Accompanying the remittance, FRANCHISEE must provide the CITY with a list of the customers' names, addresses and total amount collected. Failure to remit by the last day of the following month will result in one and one-half percent (1-1/2%) penalty per month on the balance due. Our audit disclosed that:

- The 22% franchise fees and the related permit per account fees (PPAF) generated from three (3) customer accounts were not remitted to the City as required. The un-remitted 22% franchise fees, the related PPAF and the applicable late payment penalty fees totaling \$7,006.27 (\$4,967.35 + \$1,489.55 + \$549.37) are due to the City.
- The 22% franchise fee for the month of April 2008 was not remitted in a timely manner. As a result of the late remittance, a late payment penalty totaling \$1,605.47 is due to the City.

- The list of customers' names and addresses were not included along with the monthly remittances as required. Upon audit inquire; City's Finance Department's staff confirmed that monthly check remittances were not accompanied by said customer listings.

Recommendation:

We recommend that the Finance Department bill All Service – Miami-Dade Division (AS) for the total amount of \$8,969.24 due and payable to the City. Also, we recommend that AS enhance its internal control procedures to ensure that service accounts located within the City boundaries are properly identified and properly coded and that the appropriate fees are remitted to the City in a timely manner as required.

Auditee's Response and Action Plan:

Auditee concurred with all the findings. See written response on pages 13 through 16.

City of Miami

VICTOR I. IGWE, CPA, CIA
INDEPENDENT AUDITOR GENERAL



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July 29, 2009

Mr. Al Blease, General Manager
All Service - Miami Dade Division
8160 NW 93rd, Street
Miami, Florida 33166

RE: Audit of All Service - Miami Dade Division (AS)
Audit No. 09-022

Dear Mr. Blease:

Our audit of General Hauling Service, Inc. (GHS) for the period October 1, 2007 through September 30, 2008, and selected transactions prior and subsequent to this period, has determined that additional franchise fees totaling \$ 8,969.24 (W/P T-8) is due to the City as summarized below:

- I. Article V, Section 5.4 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 \$5,000.00 (increased annually by \$500, thus \$6,500.00 was due for the audit period) for the right to provide Solid Waste Handling Services within the City limits. Failure to remit the required annual fee 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 determined that the annual franchise fee was not remitted in a timely manner during the audit period. As a

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result of the late remittance, a late payment penalty totaling \$97.50 is due to the City. **(W/P T-10)**

I agree I disagree _____ Please initial: AB
Explanation _____

II Article V, Section 5.6 of the Agreement requires the franchisee to remit to the City annually (October 15th) 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-of utilized by the franchisee. Failure to remit the required PPAF by the due date will result in a late payment penalty of one and one-half percent (1-1/2%) per month on the balance due to the City. Our audit determined that the PPAF for four (4) service accounts that were active as of October 2007 were not assessed and remitted to the City, as required. As a result, the unremitted PPAF and the applicable late/penalty fees totaling \$260.00 (\$200 + \$60) are due to the City. **(W/P T-13)**

I agree I disagree _____ Please initial: AB
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 the 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. Accompanying the remittance, FRANCHISEE must provide the CITY with a list of the customers' names, addresses and total amount collected. Failure to remit by the last day of the following month will result in one and one-half percent (1-1/2%) penalty per month on the balance due. Our audit disclosed that:

- The 22% franchise fees and the related permit per account fees (PPAF) generated from five (5) customer accounts were not remitted to the City as required. The un-remitted 22% franchise fees, the related PPAF and the applicable late payment penalty fees totaling \$7,006.27 (\$4,967.35 + \$1,489.55 + \$549.37) are due to the City. (W/P T-132)

I agree I disagree _____ Please Initial: /
Explanation: _____

- The 22% franchise fee for the month of April 2008 was not remitted in a timely manner. As a result of the late remittance, a late payment penalty totaling \$1,605.47 due to the City. (W/P T-68)

I agree I disagree _____ Please Initial /
Explanation: _____

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

Page 4 of 4
Mr. Al Blease
July _____

memorandum to us. In the event that you disagree with any of the items listed above, please provide your written explanations and attach all supporting documents/records. Please respond by August 10, 2009.

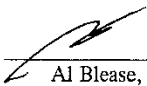
A summary schedule is attached for your reference. If you have any questions, please feel free to contact me at (305) 416-2047 or Victor Igwe (the Independent Auditor General) at (305) 416-2044.

Thank you for your attention in this matter.

Sincerely,

Paulino Garcia
Staff Auditor
Office of Independent Auditor General

I have read this Memorandum of Understanding and responded accordingly in the spaces provided for.



Al Blease, General Manager

8/12/19
Date

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

EXHIBIT I

**ALL SERVICE - MIAMI-DADE DIVISION
SCHEDULE OF FEES DUE TO THE CITY
OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

DESCRIPTION	ITEMIZED AMOUNT	TOTAL FEES DUE
	\$	\$
<u>Annual Franchise Fee</u>		
1.50% Penalty on Late Remittance		97.50
<u>Permit Per Account Fee</u>		
Four (4) Unreported Accounts	200.00	
Late Fee Penalty	<u>60.00</u>	260.00
<u>22%Franchise Fees</u>		
Late Fee on Late Remittance		1,605.47
<u>Miscoded Accounts</u>		
Unremitted Franchise Fees	4,967.35	
Unremitted Permit Per Account Fees	400.00	
Late Fee Penalty	<u>1,638.92</u>	7,006.27
TOTAL DUE TO THE CITY		<u>\$ 8,969.24</u>