

CITY OF MIAMI
OFFICE OF INDEPENDENT AUDITOR GENERAL



**AUDIT OF COMPLIANCE WITH COMMERCIAL
SOLID WASTE FRANCHISE AGREEMENT/
SOUTHERN WASTE SYSTEMS, LLC.**

AUDIT REPORT NO. 010-011

Prepared By

Office of Independent Auditor General

Victor I. Igwe, CPA, CIA
Independent Auditor General

ZEWBITU WOLDEGIORGIS, STAFF AUDITOR

City of Miami

VICTOR I. IGWE, CPA, CIA
INDEPENDENT AUDITOR GENERAL



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May 24, 2010

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

Re: Audit of Compliance with Commercial Solid Waste Franchise Agreement/Southern
Waste Systems, LLC
Audit No.10-011

Pursuant to Section 48 of the City of Miami's (City) Charter and the Fiscal Year 2009 Audit Plan, we have examined the billing records of Southern Waste Systems, LLC. (SWS). The audit was performed to determine whether SWS 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, 2003 through September 30, 2008 and selected financial transactions that were processed prior and subsequent to this period.

Sincerely,

A handwritten signature in cursive script that reads "Victor Igwe".

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

OFFICE OF THE INDEPENDENT AUDITOR GENERAL/444 S.W. 2ND AVENUE, SUITE 711/MIAMI, FLORIDA 33130-1910

C: The Honorable Mayor Tomas Regalado
Carlos A. Migoya, Chief Administrator/City Manager
Members of the Audit Advisory Committee
Anthony Badala, Manager, Southern Waste Systems, LLC.
Tony Crap, Jr., Assistant City Manager/Chief of Operations
Larry M. Spring, Assistant City Manager/Chief Financial Officer
Peter W. Korinis, Chief Information Officer, Information Technology Department
Julie O. Bru, City Attorney, City Attorney's Office
Barbara L. Pruitt, Assistant 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 COMPLIANCE WITH COMMERCIAL SOLID WASTE
FRANCHISE AGREEMENT/SOUTHERN WASTE SYSTEMS, LLC.
OCTOBER 1, 2003 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 shall 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 (1.5%) late payment penalty fee will be assessed per month on any balance due to the City.
- **Annual Franchise Fee.** The sum of \$5,000 (increased annually by \$500, thus the annual franchise fee due ranged from \$5,000 to \$6,500 during the audit period) for the right to provide commercial solid waste services and special waste

handling services within the City. A one and one-half percent (1.5%) late payment penalty fee will be assessed per month on any balance due to the City.

- Annual Specialized Waste Handling Service Fee. The sum of \$1,000 (increased annually by \$500, thus the annual specialized waste handling service fee due ranged from \$1,000 to \$2,500 during the audit period) 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 (1.5%) late payment penalty fee will be assessed monthly on any balance due to the City.
- 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 (1.5%) late payment penalty fee will be assessed monthly on any balance due to the City.

During the fiscal year, October 1, 2007 through September 30, 2008 the franchisees remitted a total of \$13,334,898 to the City. Southern Waste Services, LLC, (SWS) 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 SWS 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 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 Southern Waste Systems, LLC. (SWS) 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, 2003 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 SWS. 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 SWS and the City's SWD and determine whether they were adequate and effective in administering and overseeing the operation of commercial solid waste hauling services in the City.

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 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 customer accounts located in the City were properly identified, coded, and assessed the appropriate fees.
- The required annual Franchise Fee was remitted to the City.
- The Permit Per Account Fees were properly calculated and remitted to the City in a timely manner.
- The statement of the annual gross receipt certified by a CPA was obtained and submitted to the City as required by the City Code and Franchise Agreement.

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.

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

SUMMARY OF AUDIT FINDINGS

SOUTHERN WASTE SYSTEMS, LLC.

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 assess and remit to the City. Our review of Southern Waste Systems, LLC’s (SWS) accounting and billing records disclosed that \$36,704.18 is due and payable to the City. See detailed discussions on pages 10 through 13.

THE STATEMENT OF ANNUAL GROSS RECEIPT WAS NOT PROPERLY PREPARED AND SUBMITTED TO THE CITY IN A TIMELY MANNER AS REQUIRED

SWS did not comply with Article V, Section 5.3 of the Agreement as discussed below:

- The amounts reported on the Statement of Annual Gross Receipt (Statement) certified by a CPA did not include gross receipts generated from Fuel Surcharge fees, which are subject to the assessment of franchise fees.
- The CPA did not prepare and certify said statements as required but rather presented Statements prepared by the owners of the Southern Waste Systems.
- The Statements for fiscal years ended 9/30/2004 and 9/30/2005 were only submitted to the SWD, during the audit field work, upon audit inquiry on June 17, 2009.

SOLID WASTE DEPARTMENT

INADEQUATE MONITORING AND ENFORCEMENT OF THE PROVISIONS OF THE 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 between the City and the franchisees. However, the SWD has not implemented adequate internal control procedures to ensure proper monitoring of the provisions of the franchise agreement as summarized below:

- The amounts reported on the Statement of Annual Gross Receipts (Statement) submitted by Southern Waste System did not include fuel surcharge fees, which are subject to assessment of franchise fees.
- The CPA did not prepare and certify said statements as required but rather presented a Statement prepared by the owners of the Southern Waste Systems.
- The Statements for fiscal years ended 9/30/2004 and 9/30/2005 were only submitted to the SWD, during the audit field work, upon audit inquiry on June 17, 2009.

AUDIT FINDINGS AND RECOMMENDATIONS

SOUTHERN WASTE SYSTEMS, LLC.

ADDITIONAL FEES DUE TO THE CITY

Article V of the Commercial Solid Waste Franchise Agreement (Agreement) titled “Franchise Fees” stipulates the various franchise fees (FF) to be remitted to the City. Southern Waste Systems, LLC (SWS) generated total gross receipts of \$1,385,609.11 for services provided within the City during the audit period (fiscal years 2003 through 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 \$304,594.72. Our audit of SWS’s accounting and billing records disclosed that an additional \$36,704.18 is due and payable to the City, as itemized below:

FRANCHISE FEES (22%)

- Article V, Section 5.2 of the Commercial Solid Waste Franchise Fee 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 payment by the last day of the following month will result in a one and one-half percent (1.5%) penalty per month on the balance due to the City.

Our audit determined that SWS did not properly calculate and remit the monthly 20% or 22% franchise fees due and payable to the City during the audit period. We noted that fuel surcharge revenues were improperly excluded from the gross receipts generated from customer accounts located in

the City. Also, we noted that during the period October 1, 2003 through January 31, 2004 and March 1, 2004 through May 31, 2005 the appropriate franchise fees were not remitted to the City. Additionally, the list of the customers' names, addresses and total amount collected were not provided to the City as required for the audit period. As a result of not properly calculating and remitting the required monthly 20% or 22% franchise fees due and payable to the City, the franchise fees and the related late payment penalty totaling \$12,149.79 (\$5,993.66 + \$6,156.13) are due and payable to the City.

MISCODED ACCOUNTS

- Our review of SWS customer listings for the unincorporated Miami-Dade County (County) and other municipalities for the audit period disclosed that 3 customer accounts located in the City were not properly coded and the 22% franchise fees and the permit per account fees relative to said miscoded accounts were not remitted to the City as required. As a result, the unremitted franchise fees, the permit per account fees, and the applicable late/penalty fees totaling \$1,198.74 (\$730.54 + \$323.95 + \$100 + \$44.25) are due to the City.

ANNUAL FEE

- Article V, Section 5.4 of the Agreement stipulates that FRANCHISEE agrees to remit to the City annually (due October 1) the sum of \$5,000 (increased annually by \$500, thus \$5,000 was due in fiscal year 2004-2005, \$5,500 was due in fiscal year 2006-2007, and \$6,000 was due in 2007-2008 fiscal year) for the right to be a FRANCHISEE for Commercial Solid Waste Services and Specialized Waste Handling Services within the City. Failure to remit the required annual franchise fee by the due date will result in a one and one-half percent (1.5%) penalty per month on the balance due to the City. Our audit

disclosed that SWS remitted only \$1,000 in the fiscal year 2004-2005 and \$1,500 in the fiscal year 2005-2006. Upon audit inquiry, SWS's Chief Financial Officer indicated that during fiscal years 2004-2005 and 2005-2006, SWS provided only Specialized Waste Handling Services. However, our audit determined that commercial solid waste handling services were also provided during said fiscal years. Therefore, the unremitted annual fee, and the related late payment penalties totaling \$15,212.50 (\$7,850 + \$6,900 + \$462.50) are 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 within the City for commercial solid waste handling services, 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 one and one-half percent (1.5%) late payment penalty per month on the balance due to the City. Our audit disclosed that SWS did not remit the PPAF for fiscal years 2003-2004, 2006-2007, and 2007-2008. As a result, the un-remitted PPAF and the related late payment penalty totaling \$6,120.75 (\$3,750 + \$2,370.75) are due and payable to the City.

AUDIT FEE

- Article VI, Section 6.2 of the Agreement stipulates that: "If a City Audit reveals that FRANCHISEE under reported gross receipts, and results in additional revenue due to the City in the amount of \$20,000.00 (per Fiscal Year) or more, FRANCHISEE agrees to pay for the cost of said Audit." Our audit disclosed that the additional franchise fees totaled \$34,681.78. Therefore, the related audit fee is \$2,022.40.

Recommendation:

The auditee concurred with the audit findings and paid the \$36,704.18 owed to the City as determined by the audit. However, we recommend that SWS enhance its internal control procedures to ensure that services 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:

Auditee concurred with all the audit findings and recommendations and paid the amount owed to the City. Please see written responses on pages 17 through 22.

THE STATEMENT OF ANNUAL GROSS RECEIPT WAS NOT PROPERLY PREPARED AND SUBMITTED TO THE CITY IN A TIMELY MANNER AS REQUIRED

Article V, Section 5.3 of the Agreement stipulates that the franchisee shall, on or before 60 days (November 30th) following the close of each fiscal year (FY), deliver to the Director of the SWD, a statement of its annual gross receipts (statement) generated from accounts within the City for the preceding fiscal year. Such statement must be prepared by an independent Certified Public Accountant (CPA). However, the following deficiencies were noted:

- The amounts reported on the statements certified by a CPA did not include gross receipts generated from Fuel Surcharge fees, which are subject to the assessment of franchise fees.
- The CPA did not prepare and certify said statements as required but rather presented statements prepared by the owners of the Southern Waste Systems.
- The statements for fiscal years ended 9/30/2004 and 9/30/2005 were only submitted to the SWD, during the audit field work, upon audit inquiry on June 17, 2009.

Recommendation:

We recommend that SWS enhance its internal control procedures to comply with the provisions of the franchise agreement and the City Code.

Auditee's Response and Action Plan:

The auditee concurred with the audit findings and recommendation. Please see written responses on pages 17 through 22.

SOLID WASTE DEPARTMENT

INADEQUATE MONITORING AND ENFORCEMENT OF THE PROVISIONS OF THE FRANCHISE AGREEMENT

Article V, Section 5.3 of the Agreement stipulates that the franchisee shall, on or before 60 days (November 30th) following the close of each fiscal year (FY), deliver to the Director of the SWD, a statement of its annual gross receipts (statement) generated from accounts within the City for the preceding fiscal year. Such statement must be prepared by an independent Certified Public Accountant (CPA). The SWD is responsible for administering, monitoring, and enforcing the provisions of Chapter 22 of the City Code and the Commercial Solid Waste Franchise Agreement between the City and the franchisees. However, the SWD has not implemented adequate internal control procedures to ensure proper monitoring of the provisions of the franchise agreement as summarized below:

- The amounts reported on the statements submitted by Southern Waste System did not include fuel surcharge fees, which are subject to assessment of franchise fees.
- The CPA did not prepare and certify said statements as required but rather presented statements of Gross Receipts prepared by the owners of the Southern Waste Systems.
- The statements for fiscal years ended 9/30/2004 and 9/30/2005 were only submitted to the SWD, during the audit field work, upon audit inquiry on June 17, 2009.

The proper monitoring of compliance with the franchise Agreement would ensure that City's best interests are properly safeguarded.

Recommendation

We recommend that the SWD enhance its internal control procedures to ensure that franchisees submit the required statement of annual gross receipts certified by a CPA in a timely manner.

Auditee's Response and Action Plan:

The Auditee concurred with the audit findings and recommendation as discussed above. Please see written responses on page 23.

City of Miami

VICTOR I. IGWE, CPA, CIA
INDEPENDENT AUDITOR GENERAL



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

April 30, 2010

Mr. Anthony Badala, Manager
Southern Waste Systems
790 Hillbrath Drive
Lantana, FL 33462

RE: Audit of Southern Waste Systems, LLC # 10 - 011

Dear Mr. Badala:

In connection with our audit of Southern Waste Systems for the period October 1, 2003 through September 30, 2008, and selected transactions prior and subsequent to this period, our audit disclosed that additional franchise fees totaling \$36,704.18 (\$12,149.79+\$1,198.74+\$6,120.75+\$15,212.50+\$2,022.40) is due to the City as summarized below: [WP: T-35]

I. Article V, Section 5.2 of the Commercial Solid Waste Franchise Fee Agreement (Agreement) requires the franchisee to remit monthly to the City 22 percent (22%) of its Gross Receipts generated from account within the City limits, or \$500 whichever is greater. [WP: R-8]. 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 payment 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 audit disclosed that:

- Our audit determined that SWS did not properly calculate and remit the monthly 20% or 22% franchise fees due and payable to the City during the audit period. We noted that fuel surcharge revenues were improperly excluded from the gross receipts generated from customer accounts located in the City. Also, we noted that during the period October 2003

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444 S.W.2ND Avenue, Suite 711/Miami, FL 33128

through January 2004 and March 2004 through May 2005 the appropriate franchise fees were not remitted to the City and the list of the customers' names, addresses and total amount collected were not provided to the City as required for the audit period. As a result of not properly calculating and remitting the required monthly 20% or 22% franchise fees due and payable to the City during the audit period, the franchise fees and the related late payment penalty totaling \$12,149.79 (\$5,993.66 + \$6,156.13) are due and payable to the City [WP: T - 69]

I agree; I disagree. Please initial: 713

Explanation _____

- Our review of SWS customer listings for the unincorporated Miami-Dade County (County) and other municipalities for the audit period disclosed that 3 customer accounts located in the City were not properly coded and the 22% franchise fees and the permit per account fees relative to said miscoded accounts were not remitted to the City as required. As a result, the un-remitted franchise fees, the permit per account fees, and the applicable late/penalty fees totaling \$1,198.73 (\$730.53 + \$323.95 + \$100 + \$44.25) are due to the City. [WP:T-347]

I agree; I disagree. Please initial: 72

Explanation _____

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II. Article V, Section 5.4 of the Agreement stipulates that "FRANCHISEE agrees to remit to the City annually (due October 1) the sum of \$5,000 (increased annually by \$500, thus \$5,000 was due in fiscal year 2003-2004, \$5,000 was due in fiscal year 2004-2005, \$5,500 was due in fiscal year 2006-2007, and \$6,000 was due in 2007-2008 fiscal year) for the right to be a FRANCHISEE for Commercial Solid Waste Services and Specialized Waste Handling Services within the City. Failure to remit the required annual franchise fee by the due date will result in a one and one-half percent (1-1/2%) penalty per month on the balance due to the City. [WP: R-9]. Our audit disclosed that SWS remitted only \$1,000 in the fiscal year 2004-2005 and only \$1,500 in the fiscal year 2005-2006. Upon audit inquiry, SWS's Chief Financial Officer indicated that during fiscal years 2004-2005 and 2005-2006, SWS provided only Specialized Waste Handling Services. However, our audit determined that commercial solid waste handling services were also provided during said fiscal years [T - 92]. Therefore, the unremitted annual fee, and the related late payment penalties totaling \$15,212.50 (\$7,850 + \$6,900 + 462.50) are due to the City [WP: T-40]

I agree; I disagree. Please initial: TW

Explanation _____

III. 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 within the City for commercial solid waste handling services, 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 a one and one-half percent (1-1/2%) per month will be assessed on the balance due to the City. [WP: R-9]. However, our audit disclosed that SWS did not remit the PPAF for fiscal years 2003-2004, 2006-2007, and 2007-2008. As a result, the un-remitted PPAF and the related late payment penalty totaling \$6,120.75 (\$3,750 + \$2,370.75) are due and payable to the City. [WP: T - 50]

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444 S.W.2nd Avenue, Suite 711/Miami, FL 33128

I agree; I disagree. Please initial: TD

Explanation _____

V. Article VI, Section 6.2 of the Agreement stipulates that: "If a City Audit reveals that FRANCHISEE under reported gross receipts, and results in additional revenue due to the City in the amount of \$20,000.00 or more, FRANCHISEE agrees to pay for the cost of said Audit." [WP: R-10] Our audit disclosed that the additional franchise fees including penalties due to the City totaled \$34,681.71. Therefore, the related audit fee is \$2,022.40 [WP: T-35.1]

I agree; I disagree. Please initial: TD

Explanation _____

VI. Article V, Section 5.3 of the Agreement stipulates that the franchisee shall, on or before 60 days (November 30th) following the close of each fiscal year (FY), deliver to the Director of the SWD, a statement of its annual gross receipts generated from accounts within the City for the preceding fiscal year. Such statement must be prepared by an independent Certified Public Accountant. However, we noted that the following deficiencies: (R - 9)

- The amounts reported on the CPA statements did not include gross receipts generated from Fuel Surcharge fees.
- The CPA did not prepare and certify said statement as required but rather presented a Statement of Gross Receipts prepared by the owners of the Southern Waste Systems. [T- 25/28/30/34]

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- Also, the statements for fiscal years ended 9/30/2004 and 9/30/2005 were only submitted to the SWD, during the audit field work, upon audit inquiry on June 17, 2009. [T-23, 28]

I agree; I disagree. Please initial: TR

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 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.

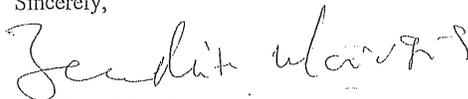
A Summary schedule is attached for your reference. If you have any questions, please feel free to contact me at (305) 416-2042 or Victor Igwe (the Independent Auditor General) at (305) 416-2044.

Thank you for your attention in this matter.


Tony Badala

5/12/10
Date

Sincerely,



Zewditu Woldegiorgis
Staff Auditor
Office of Independent Auditor General

OFFICE OF THE INDEPENDENT AUDITOR GENERAL
444 S.W. 2ND AVENUE, SUITE 711/MIAMI, FL 33128

Page 6 of 6
Mr. Anthony Badala
April 26, 2010

C: Barbara L. Pruitt, Assistant Director, Solid Waste Department
Steven Margolis, Principal Auditor, Solid Waste Department
Victor Igwe, CPA, CIA, Independent Auditor General

OFFICE OF THE INDEPENDENT AUDITOR GENERAL
444 S.W. 2ND Avenue, Suite 711/Miami, FL 33128

CITY OF MIAMI, FLORIDA

INTER-OFFICE MEMORANDUM

TO: Zewditu Woldegiorgis, Staff Auditor
Office of Independent Auditor General

DATE: May 5, 2010

FROM: 
Barbara L. Pruitt, Director
Department of Solid Waste

SUBJECT: Response to Memo of
Understanding - SWS

REFERENCES: Audit No. 10-011

ENCLOSURES:

Re: Statement of Annual Gross Receipts:

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. Our Department sent Southern Waste Systems, LLC (SWS) a letter reminding them to submit their CPA Statement of Annual Gross Receipts that was due to the City by Nov. 30, (see attached). In the future, stronger follow-up letters will be sent, reminding Franchisee's that they must adhere to all covenants of the Agreement, as well as, Chapter 22 of the City Code (see attached). 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.

In addition, my Staff Auditor, Mr. Steven Margolis, spoke with Mr. Steve A. Goindoo, CPA of Divine Blalock Martin Sellari, P.A., the Accountants for SWS. Mr. Goindoo agreed for future reporting, to include fuel surcharges in the computation of Gross Receipts. Also, Mr. Goindoo agreed to prepare and certify future Annual Statements of Gross Receipts, generated from accounts within the City for the preceding year and submit the Statement to our Department by the due date.

If further clarification is required, please do not hesitate to contact me at 305-960-2804. Thank you.

c: Steven Margolis, Staff Auditor, Pr.
Joe Tang, Fiscal Administrator

EXHIBIT I

						\$	\$	
<u>22% Franchise Fees</u>								
<u>Unremitted Franchise Fees</u>								
Fuel Surchsrge						1,612.12		
1.5% Penalty						800.29		
Per Article V Sec 5.2						4,381.54		
1.5% penalty						5,355.84	12,149.79	
<u>Miscoded Accounts</u>								
20% or 22% unpaid Franchise Fee						730.54		
1% or 1.50% penalty						323.95		
Permit per account						100.00		
Penalty on permit per Account						44.25	1,198.74	
<u>Annual Franchise Fee</u>								
Unremitted Annual Franchise Fee						7,850.00		
1.5% penalty on unremitted annual fee						6,900.00		
1.50% Penalty on Late Remittance						462.50	15,212.50	
<u>Permit Per Account Fee</u>								
Unremitted permit per account fee						3,750.00		
1.50% Penalty on unremittance PPF						2,334.75		
1.5% penalty on late remittance						36.00	6,120.75	
Audit Fee						2,022.40	\$ 2,022.40	
TOTAL DUE TO THE CITY								\$ 36,704.18