

CITY OF MIAMI  
**OFFICE OF INDEPENDENT AUDITOR GENERAL**



**AUDIT OF COMPLIANCE WITH COMMERCIAL  
SOLID WASTE FRANCHISE AGREEMENT/  
RELIABLE WASTE SERVICES, INC.**

**AUDIT REPORT NO. 010-013**

Prepared By

**Office of Independent Auditor General**

Victor I. Igwe, CPA, CIA  
*Independent Auditor General*

**ZEWDITU WOLDEGIORGIS, STAFF AUDITOR**

# City of Miami

VICTOR I. IGWE, CPA, CIA  
INDEPENDENT AUDITOR GENERAL



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March 22, 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/Reliable  
Waste Services, Inc. (RWS)  
Audit No.10-013

Pursuant to Section 48 of the City of Miami's (City) Charter and the Fiscal Year 2010 Audit Plan, we have examined the billing records of Reliable Waste Services, Inc. (RWS). The audit was performed to determine whether RWS complied with applicable Sections of the City Code and the Commercial 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, 2004 through September 30, 2009 and selected financial transactions that were processed prior and subsequent to this period.

Sincerely,

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

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

OFFICE OF THE INDEPENDENT AUDITOR GENERAL/444 S.W. 2<sup>ND</sup> 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  
Norys Altuve, President, Reliable Waste Services, Inc.  
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  
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/RELIABLE WASTE SERVICES, INC.  
OCTOBER 1, 2004 THROUGH SEPTEMBER 30, 2009**

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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 (1.5%) 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 \$6,500.00 was due for 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 \$1,500 was due in fiscal year 2005-2006; \$2,000 was due in fiscal year 2006-2007; \$2,500 was due in fiscal year 2007-2008; and \$3,000 was due for the fiscal year 2008-2009) 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, 2008 through September 30, 2009 the franchisees remitted a total of \$10,796,490 to the City. Reliable Waste Services, Inc. (RWS) 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 RWS 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 2010 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 Reliable Waste Services, Inc. (RWS) 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, 2004 through September 30, 2009 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 RWS. 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 RWS 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.
- 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 test 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 22% Franchise Fees were remitted to the City in a timely manner.
- The annual Franchise Fee and Permit Per Account Fee were remitted to the City in a timely manner.
- The surety company has the required rating classification of “A” and a financial category of Class VII.
- The appropriate public liability insurance was obtained as required by Article VII of the Agreement.
- The statement of the annual gross receipt certified by a CPA was obtained as required by the City Code and Franchise Agreement.
- The required public liability insurance for vehicle and workers’ compensation coverage was obtained.

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.

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

## **SUMMARY OF AUDIT FINDINGS**

### **RELIABLE WASTE SERVICES, 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 Reliable Waste Services, Inc.’s (RWS) accounting and billing records disclosed that \$24,676.26 is due and payable to the City. See detailed discussions on pages 10 through 13.

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

RWS did not comply with certain provisions of the Agreements, as discussed below:

- RWS did not provide the City with the required certified statement of annual gross receipt, as discussed on page 13.
- RWS did not obtain the required public liability insurance for vehicles and workers’ compensation coverage, as discussed on page 14.
- RWS did not obtain the required surety bond with the appropriate rating classification, as discussed on page 14.

## **SOLID WASTE DEPARTMENT**

### **INADEQUATE MONITORING AND ENFORCEMENT OF THE PROVISIONS OF THE FRANCHISE AGREEMENT**

The SWD did not implement adequate internal control procedures to ensure proper monitoring of the provisions of the franchise agreement as summarized below:

- SWD did not follow up to ensure that RWS obtained the required surety bond with the appropriate rating classification in accordance with the provisions of Section 22-47(4)b of the City Code and Article VII, Section 7.2 of the Agreement, as discussed on page 14.
- SWD did not follow up and obtain from RWS the required statement of annual gross receipts, prepared by an independent certified public accountant, in a timely manner as required by Section 22-56(b) of the City Code and Article V, Section 5.3 of the Agreement, as discussed on page 13.
- SWD did not follow up and obtain the required public liability insurance for vehicles and workers' compensation coverage, as discussed on page 14. The required public liability insurance for vehicles and workers' compensation coverage was only obtained upon audit inquiry.

## **AUDIT FINDINGS AND RECOMMENDATIONS**

### **RELIABLE WASTE SERVICES, INC.**

#### **ADDITIONAL FEES DUE TO THE CITY**

Article V, Section 5.2 of the Commercial Waste Franchise Agreement (Agreement) titled “Franchise Fees” stipulates the various franchise fees (FF) to be remitted to the City. RWS generated total gross receipts of \$928,691.47 for services provided within the City during the audit period (fiscal year 2004-2009). The total gross receipts include revenues generated exclusively from Specialized Waste Handling. The total FF remitted to the City during the audit period was \$203,002.14. Our review of RWS’s accounting and billing records disclosed that an additional \$24,676.26 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 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 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.

Our audit determined that for the months of March 2008 and October 2009, RWS did not remit to the City the correct monthly franchise fee (22% of the gross receipt) due and payable to the City. The unremitted amount totaled \$1,333. Also, during the period October 2005 through October 2009, the monthly franchise fee payments (22% of the gross receipt) were remitted late in 18 (or 37%) of the 49 monthly payments made to the City during said

period. The late payments ranged from 1 to 3 months. The Finance Department assessed and collected the applicable late payment penalty fees for 10 of the 18 late payments. The late payment penalty relative to the 8 remaining untimely monthly payments is \$1,064.28. The unremitted franchise fees and the late payment penalties as noted above totaling \$2,397.28 (\$1,333+\$1,064.28) are due to the City.

### **MISCODED ACCOUNTS**

- Our review of RWS's customer listings for unincorporated Miami-Dade County (County) and other municipalities during the audit period disclosed that 34 customer accounts located in the City were miscoded to the County. 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 \$14,207.23(\$8,910 + \$4,731.60 + \$350 + \$215.63) are due to the City.

### **ANNUAL FEE**

- 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 \$3,000 was due for the fiscal year 2008-2009) for the right to provide "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 one-half percent (1.5%) late payment penalty fee per month on the balance due to the City. Our audit determined that the annual fee for the fiscal year 2008-2009 that was due on October 1, 2009, has not been remitted to the City as of February 23, 2010. Additionally, the annual fees for fiscal years 2004-2005,

2005-2006 and 2006-2007 were remitted late to the City. The late payments ranged from 1 to 3 months. The unremitted annual fees and the late payment penalties as noted above totaling \$3,890 (\$3,500 +\$390) 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 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 (1.5%) per month will be assessed on the balance due to the City. Our audit determined that RWS did not remit the PPAF for fiscal years 2003-2004, 2004-2005, 2007-2008 and 2008-2009 to the City. Additionally, the PPAF for fiscal years 2005-2006 and 2006-2007 were remitted late to the City. The unremitted PPAF and the late payment penalties as noted above totaling \$4,181.75 (\$2,600 + \$1,581.75) are due to the City.

**Recommendation:**

We recommend that the Finance Department bill Reliable Waste Service, (RWS) for the total amount of \$24,676.26 due to the City in 12 monthly installments.

**Auditee's Response and Action Plan:**

Auditee concurred with all the audit findings and recommendations. However, the auditee indicated that the current economic downturn has adversely affected its cash flow; and therefore, requested that the City allow RWS to remit the additional amount due to the City in 12 monthly installments. See written response on pages 18 through 23.



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

The Commercial Solid Waste Franchise Agreement (Agreement) between the City and the franchisees provide certain operating guidelines and requirements. The operating guidelines are designed to ensure uniformity in the services provided and also to ensure that the City's best interest is well protected. However, we noted that RWS did not comply with certain provisions of the Agreements, as discussed below:

**RWS DID NOT PROVIDE THE CITY WITH THE CERTIFIED STATEMENT OF ANNUAL GROSS RECEIPT**

- 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 (CPA). However, the following deficiencies were noted:
  - The certified statement for the fiscal year ended 9/30/2009 has not been submitted to SWD as of February 18, 2010. Also, the certified statement for fiscal year ended 9/30/2008 was submitted to the SWD on June 12, 2009 (7 months after the due date).
  - The statement for the fiscal year ended 9/30/2005 was not certified by a CPA as required.

**RWS DID NOT OBTAIN THE REQUIRED PUBLIC LIABILITY INSURANCE FOR VEHICLES AND WORKERS' COMPENSATION COVERAGE**

- Article VII Section 7.1 of the Commercial Solid Waste Franchise Agreement requires the franchisee to maintain, for the term of this AGREEMENT, a public liability insurance policy in the minimum amount of \$1,000,000; automobile liability insurance policy covering FRANCHISEE'S operations with a combined single limit of \$1,000,000 per occurrence for bodily injury and property damage liability. FRANCHISEE'S certificate shall include worker's compensation coverage. However, we noted the RWS did not provide the City with the required public liability insurance coverage for vehicle and workers' compensation coverage for the period November 18, 2004 through November 16, 2005 and the period November 18, 2008 through November 16, 2009.

**RWS DID NOT OBTAIN THE REQUIRED SURETY BOND WITH THE APPROPRIATE RATING CLASSIFICATION**

- Article VII, Section 7.2 of the Commercial Solid Waste Franchise Agreement (Agreement) between the City of Miami (City) and RWS stipulates the following: "FRANCHISEE agree to maintain, for the term of the AGREEMENT, a Performance Bond, executed by a surety company duly authorized to do business in the State of Florida, which shall be counter-signed by an agent for the company, resident 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 fees, 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.” Additionally, Article VII, Section 7.2 states that: “The surety shall have a rating classification of “A” and a financial category of Class VII as evaluated in the current Best’s Key Rating Guide Property Liability.” However, our audit determined that RWS’s surety company has a rating of A- and a financial category of class VI, which is less than the required rating.

Recommendation:

We recommend that RWS obtain the required surety bond with the appropriate rating classification, public liability insurance for vehicles and workers’ compensation coverage, and submit the required statement of annual gross receipts certified by a CPA in a timely manner.

Auditee’s Response and Action Plan:

Auditee concurred with our findings and recommendations. See auditees responses on pages 18 through 23.

## **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 did not implement adequate internal control procedures to ensure proper monitoring of the provisions of the franchise agreement as summarized below:

- SWD did not follow up to ensure that RWS obtained the required surety bond with the appropriate rating classification in accordance with the provisions of Section 22-47(4)b of the City Code and Article VII, Section 7.2 of the Agreement, as discussed on page 14. In response to audit inquiry, SWD obtained an email from City's Risk Management Department indicating that it would accept a surety company with rating classification of A- and a financial category of class VI. However, the franchise agreement approved by the City Commission requires franchisees to obtain a surety bond from a company that has a rating classification of A and a financial category of class VII. Therefore, any changes to the provisions of the Franchise Agreement should be approved by the City Commission.
- SWD did not follow up and obtain from RWS the required statement of annual gross receipts, prepared by an independent certified public accountant, in a timely manner as required by Section 22-56(b) of the City Code and Article V, Section 5.3 of the Agreement, as discussed on page 13.
- SWD did not follow up and obtain the required public liability insurance for vehicles and workers' compensation coverage, as discussed on page 14. The

required public liability insurance for vehicles and worker's compensation coverage was only obtained upon audit inquiry.

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 obtain the required surety bonds with the appropriate rating classifications; that franchisees obtain the required public liability insurance for vehicles and workers' compensation coverage; and that franchisee 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 recommendations relative to the statement of annual gross receipt, as discussed above. As noted above, SWD obtained an email from City's Risk Management Department indicating that it would accept a surety company with rating classification of A- and a financial category of class VI; and also SWD obtained the required public liability insurance for vehicles and worker's compensation coverage from RWS, only obtained upon audit inquiry. Please see written responses on page 24 through 26.

# City of Miami

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INDEPENDENT AUDITOR GENERAL



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March 3, 2010

Mr. Norys Altuve, President  
Reliable Waste Services, Inc.  
7000 NW 53<sup>rd</sup> Terrace  
Miami Florida 33166

RE: Audit of Reliable Waste Services, Inc. (RWS) – Audit #10-013

Dear Mr. Altuve:

In connection with our audit of Reliable Waste Services, Inc. (RWS) for the period October 1, 2004 through September 30, 2009, and selected transactions prior and subsequent to this period, our audit determined that additional franchise fees totaling \$24,676.26 (\$2,397.28 + \$14,207.23 + \$4,181.75 + \$3,890) are due and payable 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-7]. 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 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. Our audit determined that:

- For the months of March 2008 and October 2009, RWS did not remit to the City the correct monthly franchise fee (22% of the gross receipt) due and payable to the City. The unremitted amount totaled \$1,333. Also, during the period October 2005 through

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October 2009, the monthly franchise fee payments (22% of the gross receipt) were remitted late in 18 (or 37%) of the 49 monthly payments made to the City during said period. The late payments ranged from 1 to 3 months. The Finance Department assessed and collected the applicable late payment penalty fees for 10 of the 18 late payments. The late payment penalty relative to the 8 remaining untimely monthly payments is \$1,064.07. The unremitted franchise fees and the late payment penalties as noted above total \$2,397.28 (\$1,333+\$1,064.28). (T - 69).

I agree;  I disagree. Please initial: RA

Explanation Agree to pay within 12 months  
\_\_\_\_\_  
\_\_\_\_\_

- Our review of RWS's customer listings for the unincorporated Miami-Dade County (County) and other municipalities for the audit period disclosed that 34 customer accounts located in the City were miscoded to the County 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 \$14,207.23(\$8,910 + \$4,731.60 + \$350 + \$215.63) are due to the City. (T-62)

I agree;  I disagree. Please initial: RA

Explanation Agree to pay within 12 months  
\_\_\_\_\_  
\_\_\_\_\_

II. 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

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(increased annually by \$500, thus \$3,000 was due for the fiscal year 2008-2009) for the right to provide "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 one-half percent (1.5%) late payment penalty fee per month on the balance due to the City. Our audit determined that the annual fee for the fiscal year 2008-2009 that was due on October 1, 2009, has not been remitted to the City as of February 23, 2010. Additionally, the annual fees for fiscal years 2004-2005, 2005-2006 and 2006-2007 were remitted late to the City. The late payments ranged from 1 to 3 months. The unremitted annual fees and the late payment penalties as noted above totaling \$3,890 (\$3,500 +\$390). (T-38)

I agree;  I disagree. Please initial: NA

Explanation Agree to pay within 12 months

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 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 (1.5%) per month will be assessed on the balance due to the City. [WP: R-7]. Our audit determined that RWS did not remit the PPAF for fiscal years 2003-2004, 2004-2005, 2007-2008 and 2008-2009. Additionally, the PPAF for fiscal years 2005-2006 and 2006-2007 were remitted late to the City. The unremitted PPAF and the late payment penalties as noted above totaling \$4,181.75 (\$2,600 + \$1,581.75) are due to the City. [WP: T - 47]

I agree;  I disagree. Please initial: NA

Explanation Agree to pay within 12 months

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\_\_\_\_\_  
\_\_\_\_\_

V. Article V, Section 5.3 of the Agreement stipulates that the franchisee shall, on or before 60 days (November 30<sup>th</sup>) 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 (CPA). The following deficiencies were noted: (R-7)

- The certified Statement for the fiscal year ended 9/30/2009 has not been submitted to SWD as of February 18, 2010. Also, the certified Statement for fiscal year ended 9/30/2008 was submitted to the SWD on June 12, 2009 (7 months after the due date). (T-15)
- The Statement for the fiscal year ended 9/30/2005 was not certified by a CPA as required. (T-22)

I agree;  I disagree. Please initial: RA

Explanation Agree to pay within 12 mths

\_\_\_\_\_  
\_\_\_\_\_

VI Article VII Section 7.1 of the Commercial Solid Waste Franchise Agreement requires the franchisee to maintain, for the term of this AGREEMENT, a public liability insurance policy in the minimum amount of \$1,000,000; automobile liability insurance policy covering FRANCHISEE'S operations with a combine single limit of \$1,000,000 per occurrence for bodily injury and property damage liability. FRANCHISEE'S certificate shall include worker's compensation coverage. (R-9) However, we noted the RWS did not provide the City with the required public liability insurance coverage for vehicle and workers' compensation coverage for the period November 18, 2004 through November 16, 2005 and November 18, 2008 through November 16, 2009.

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I agree;  I disagree. Please initial: NA

Explanation Agree to pay within 12 months

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VII. Article VII, Section 7.2 of the Commercial Solid Waste Franchise Agreement (Agreement) between the City of Miami (City) and RWS stipulates that "FRANCHISEE agree to maintain, for the term of the AGREEMENT, a Performance Bond, executed by a surety company duly authorized to do business in the State of Florida, which shall be countersigned by an agent for the company, resident 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 fees, 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." Additionally, Article VII, Section 7.2 states that: "The surety shall have a rating classification of "A" and a financial category of Class VII as evaluated in the current Best's Key Rating Guide Property Liability." However, our audit determined that RWS's surety company has a rating of A- and a financial category of class VI, which is less than the required rating.

I agree;  I disagree. Please initial: NA

Explanation Agree to pay within 12 months

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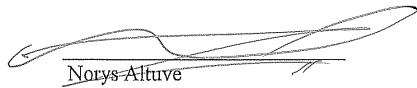
Please confirm our understanding by indicating whether you agree or disagree with each of the observations described above by checking the appropriate box and include your initials on the space

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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 explanations and attach all supporting documents/records. Please respond by February 20, 2010.

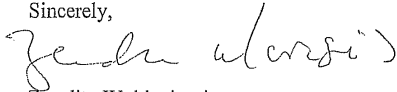
A summary schedule is attached for your reference. If you have any questions, please feel free to contact Victor Igwe (Independent Auditor General) at 305-416-2044 or Zewditu Woldegiorgis at (305) 416-2042.

Thank you for your attention in this matter.

  
Norys Altuve

3/15/10  
Date

Sincerely,




Zewditu Woldegiorgis  
Staff Auditor  
Office of Independent Auditor General

Cc. Victor Igwe, Independent Auditor General  
Barbara L. Pruitt, Assistant Director, Solid Waste Department  
Diana Gomez, CPA, Director, Finance Department  
Steven Margolis, Principal Auditor, Solid Waste Department

OFFICE OF INDEPENDENT AUDITOR GENERAL  
444 S.W. 2<sup>nd</sup> Avenue, Suite 711/Miami, FL 33128

INTER-OFFICE MEMORANDUM

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TO:	Zewditu Woldegiorgis, Staff Auditor Office of Independent Auditor General	DATE:	March 16 2010	FILE:	
FROM:	 Barbara L. Pruitt, Director Department of Solid Waste	SUBJECT:	Response to Memo of Understanding - Reliable Waste	REFERENCES:	Audit #10-013
		ENCLOSURES:			

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I. 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. We have also instituted stronger internal control procedures to monitor each commercial hauler.

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 22 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.

Also, please review the attached email from Reliable Waste Services wherein it is stated that their CPA statement should be completed this week. Upon receipt, our department will forward a copy to your Office. Our administrative staff will also date stamp each CPA statement upon receipt in our department. We have also informed Reliable Waste Services to have their statements prepared by a licensed CPA.

II. Performance Bond:

We have verified with the City's Risk Management department that a surety company that has a rating classification of A- and a financial category of class VI, is acceptable to the City in regards to satisfying the requirements of Article VII, Section 7.2 of the Franchise Agreement.

III. Insurance:

Please see the attached insurance documents.

c: Steven Margolis, Auditor  
Joe Tang, Fiscal Administrator

**Margolis, Steven**

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**From:** Gomez Jr., Francisco (Frank)  
**Sent:** Wednesday, March 17, 2010 10:39 AM  
**To:** Margolis, Steven  
**Cc:** Quevedo, Terry  
**Subject:** Insurance company financial rating and strenght criteria

Steven,

Please be advised that Risk Management will accept certificates from carriers with a financial rating and strength of at least A- (V).

Thanks,



*Frank Gomez  
Property & Casualty Coordinator  
444 S.W. 2nd Avenue, 9th Floor  
Miami, Florida 33130  
(305) 416-1740 Direct Line  
(305) 416-1710 Fax*

3/17/2010

