

CITY OF MIAMI
OFFICE OF INDEPENDENT AUDITOR GENERAL



**AUDIT OF COMPLIANCE WITH SOLID WASTE
FRANCHISE AGREEMENT/WASTE
MANAGEMENT, INC OF FLORIDA**

AUDIT REPORT NO. 010-008

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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December 22, 2009

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

Re: Waste Management, Inc. of Florida (WM)
Audit No. 010-008

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 Waste Management, Inc. of Florida. The audit was performed to determine whether Waste Management 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,

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

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

C: The Honorable Mayor Tomas Regalado
Pedro G. Hernandez, Chief Administrator/City Manager
Members of the Audit Advisory Committee
James F. Lambros, Area Controller, Waste Management
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
Barbara L. Pruitt, 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 WASTE MANAGEMENT, INC. OF FLORIDA
OCTOBER 1, 2007 THROUGH SEPTEMBER 30, 2008**

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INTRODUCTION

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

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

- **Gross Receipts Franchise Fees.** In accordance with Article II, Section 2.2 of the Agreement, the term “Gross Receipts” shall mean, “all monies whether paid by cash, check, debit or credit, collected from customers for garbage, solid waste, fuel surcharge, construction and demolition debris, roofing materials, trash, litters, refuse and/or rubbish collection removal and disposal services rendered, or from any other source related directly from waste collection services by the FRANCHISEE, exclusive of taxes as provided by law, whether wholly or partially collected within the CITY, less bad debts.” During the period October 1, 1999 through September 30, 2004, the franchisee was required to remit to the City 20% of the gross receipts generated. Effective October 1, 2004, the rate increased to 22%. A one and half percent (1.5%) 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 (1.5%) 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 (1.5%) 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 (1.5%) late payment penalty fee is assessed monthly on any balance due.

During the fiscal year, October 1, 2007 through September 30, 2008 the franchisees remitted a total of \$13,334,898 to the City. Waste Management 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 Solid Waste Department is also responsible for monitoring the operations of the commercial solid waste franchisees. This audit report describes whether Waste

Management and the Solid Waste Department 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 Waste Management, Inc. of Florida (WM) 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 WM. 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 WM 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.
- 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 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.
- 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.
- All the franchise fees generated from accounts within the City were reported and remitted to the City.
- A Performance Bond was obtained in the required amount as stipulated in the Franchise Agreement.

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

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

Overall, we conclude that the internal control policies and procedures in place at Waste Management, Inc. of Florida (WM) could be enhanced to ensure a more effective operation of commercial solid waste hauling services in the City.

SUMMARY OF AUDIT FINDINGS

WASTE MANAGEMENT, INC. OF FLORIDA

CREDIT DUE TO WASTE MANAGEMENT, INC.

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 Waste Management, Inc. of Florida’s accounting and billing records disclosed that \$18,283.16 is due to the City from the franchise fee transactions assessed during the audit period. Also, our audit field work included a verification of WM’s claim for a \$66,924.25 credit relative to franchise fees for customer service accounts located outside the geographical boundaries of the City of Miami that WM remitted to the City. Our review of WM’s claim for credit confirmed that \$63,955.32 of the \$66,924.25 credits claimed was due to WM. Therefore, a total net credit of \$45,672.16 (\$63,955.32 - \$18,283.16) is due to WM. However, the verification of WM’s claims relative to franchise fee transactions for the period September 2004 through August 2009 consumed approximately 200 audit hours (at least equivalent of \$5,000). Although additional audit hours were spent verifying miscoding errors caused by internal control deficiencies at WM, our request for reimbursement to the City for the cost of the additional audit work was denied. See detailed discussions on pages 9 through 12.

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

Our audit determined that the correct amount of performance bond was not obtained. See detailed discussions on pages 13 and 14.

AUDIT FINDINGS AND RECOMMENDATIONS

WASTE MANAGEMENT, INC. OF FLORIDA

CREDIT DUE TO WASTE MANAGEMENT, INC.

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. Waste Management, Inc. of Florida (WM) generated total gross receipts of \$16,703,115 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 \$3,674,886.

Our audit of WM's franchise fees records for the period October 1, 2007 through September 30, 2008, as well as, selected transactions prior and subsequent to this period indicated that an additional franchise fees totaling \$18,283.16 is due to the City for said period, as summarized below. Also, our audit field work included a verification of WM's claim for a \$66,924.25 credit relative to franchise fees for customer service accounts located outside the geographical boundaries of the City of Miami that WM remitted to the City. Our review of WM's claim for credit confirmed that \$63,955.32 of the \$66,924.25 credits claimed was due to WM. However, the verification of WM's claims relative to franchise fee transactions for the period September 2004 through August 2009 consumed about 200 audit hours (at least equivalent of \$5,000). Although additional audit hours were spent to verify miscoded errors caused by internal control deficiencies at WM, our request for reimbursement to the City for the cost of the additional audit work was denied. (See pages 17 and 20). Therefore, a total net credit of \$45,672.16 (\$63,955.32 - \$18,283.16) is due to WM.

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 be a franchisee for Commercial Solid Waste Services and Specialized Waste Handling Services within the City. Failure to remit the required annual fee by the due date will result in a one and one-half percent (1.5%) per month on the balance due to the City. Our audit disclosed that WM did not remit its annual fee by the due date. As a result of the late remittance, a late fee of \$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 (due October 15) a permit per account fee (PPAF) in the amount of \$50 for each account contracted for commercial solid waste handling services within the City, including each container and/or roll-off utilized by franchisee. Failure to remit the required annual fee by the due date will result in a one and one-half percent (1.5%) per month on the balance due to the City. Our audit determined that the PPAF for thirty-four (34) 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 \$2,286.50 (\$1,700 + \$586.50) are due to the City.

FRANCHISE FEES (22%)

- Article V, Section 5.2 of the Commercial Solid Waste Franchise Agreement (Agreement) requires the Franchisee to remit 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. Failure to remit by the last day of the following month will result in one and one half percent (1.5%) penalty per month on the balance due. Our audit determined that the 22% franchise fees and the related permit per account fees (PPAF) generated from six (6) customer accounts were not remitted to the City as required. The un-remitted 22% franchise fees, the related PPAF, and the applicable late fees totaling \$15,899.16 (\$11,560.79 + \$3,900.61 + \$299.90 + 137.86) are due to the City.

COST OF AUDIT

- Article VI, Section 6.2 of the Franchise Agreement stipulates that “if a City Audit reveals that FRANCHISEE under reported gross receipts, and results in additional revenue due the City in the amount of \$20,000.00 (per Fiscal Year) or more, FRANCHISEE agrees to pay for the cost of said Audit.” Although the “under reported gross receipts” as determined by this audit field work totaled \$18,283.16 (less than \$20,000), additional 200 (at least equivalent of \$5,000) audit hours were spent during the audit field work verifying the claim for credit relative to franchise fees for customer service accounts located outside the geographical boundaries of the City of Miami that WM remitted to the City during the period August 1, 2004 through August 31, 2009 (5 years). Although additional audit hours were spent verifying miscoded errors caused by internal control deficiencies at WM, our request for reimbursement to the City for the cost of the additional audit work was denied. See the auditee’s written response on page 21. The new commercial solid waste franchise agreement will be modified accordingly to protect the City’s interest.

CLAIM OF CREDITS

- We reviewed WM's claim for a \$66,924.25 of credit relative to franchise fees for customer service accounts located outside the geographical boundaries of the City of Miami that WM inadvertently remitted to the City during the period 9/1/2004 through 8/31/2009 (5 years). Our review confirmed that \$63,955.32 of the \$66,924.25 credits claimed was due to WM.

Recommendation:

We recommend that the \$45,672.16 of refund due to WM be credited towards future franchise fees due and payable to the City. Also, we recommend that WM enhance its internal control procedures to ensure that all service accounts are properly identified and properly coded and that all appropriate fees are remitted to the City in a timely manner as required.

Auditee's Response and Action Plan:

The auditee concurred with all the audit findings and recommendations except for the cost of the additional audit work as discussed on page 11. See written response on pages 15 through 21.

FAILURE TO OBTAIN THE REQUIRED AMOUNT OF SURETY BOND

Article VII, Section 7.2 of the Agreement states that “FRANCHISEE” agrees to maintain, for the term of this 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 Bond shall be equal to the FRANCHISEE’S previous 12 month franchise fees paid to the City (including the annual franchise fees, monthly 22% franchise fee, annual per account fee, and any other franchise fee paid to the City) or a minimum of \$25,000, whichever is greater, as security for the faithful performance of the Franchise Agreement.

Our audit indicated that the total franchise fees due and payable to the City during the previous 12 months were \$3,852,635.97. However WM currently maintains a Surety Bond for only \$3,716,268.00. Accordingly, the required amount of Surety Bond needs to be increased by \$136,367.97.

Recommendation:

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

Auditee’s Response and Action Plan:

The auditee concurred with the audit finding and recommendation. See written response on page 18.

SOLID WASTE DEPARTMENT

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

In accordance with Chapter 22 of the City Code and the Commercial Solid Waste Franchise Agreement (Agreement), the SWD is responsible for administering, monitoring, and enforcing the provisions of the said City Code and Agreement. However, as has been previously disclosed in prior audit reports, adequate internal control procedures have not been implemented to ensure that performance bonds submitted to the SWD are in compliance with the requirements of the agreement, as discussed on page 13.

It is essential to ensure that the proper amount of performance bond is posted in the event of default and/or non-compliance with the provisions of the Franchise Agreement.

Recommendation:

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

Auditee's Response and Action Plan:

The auditee concurs with the audit finding and recommendation. See written response on page 22.

City of Miami

VICTOR I. IGWE, CPA, CIA
INDEPENDENT AUDITOR GENERAL



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

November 5, 2009

Mr. James F. Lambros, Area Controller
Waste Management, Inc. of Florida (WM)
2700 NW Wiles Road
Pompano Beach, FL 33073

RE: Audit of Waste Management, Inc. of Florida (WM) (#10-008)

Dear Mr. Lambros:

Our audit of Waste Management, Inc. of Florida's franchise fees records for the period October 1, 2007 through September 30, 2008, as well as, selected transactions prior and subsequent to this period indicated that an additional franchise fees totaling \$18,283.16 (W/P T-4) is due to the City for said period, as summarized below in items numbers I through IV. Our audit also included a review of WM's claim for a \$66,924.25 credit relative to franchise fees for customer service accounts located outside the geographical boundaries of the City of Miami that WM inadvertently remitted to the City, as summarized in item number V. Our review of WM's claim for credit confirmed that \$63,955.32 of the \$66,924.25 credits claimed was due to WM. Therefore, a total net credit of \$40,672.16 (\$63,955.32 - \$18,283.16 - \$5,000 [cost of audit]) is due to WM. (W/P A-1)

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

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 (increased annually by \$500, thus \$6,500 was due for the audit period) 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 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 disclosed that WM remitted its annual fee for the fiscal year 2007-2008 on October 3, 2008 (1 month late). As a result of the late remittance, a late fee of \$97.50 is due to the City. (W/P T-6)

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

II. Article V, Section 5.6 of the Agreement requires the franchisee to remit to the City annually (due October 15) a permit per account fee (PPAF) in the amount of \$50 for each account contracted for commercial solid waste handling services within the City, including each container and/or roll-off utilized by franchisee. Failure to remit the required 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 PPAF for thirty-four (34) 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 \$2,286.50 (\$1,700 + \$586.50) are due to the City. (W/P T-7)

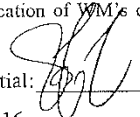
I Agree I disagree _____ Please Initial: JL
Explanation: _____

III. Article V, Section 5.2 of the Commercial Solid Waste Franchise Agreement (Agreement) requires the Franchisee agrees 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. 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 six (6) customer accounts were not remitted to the City as required. The un-remitted 22% franchise fees, the related PPAF, and the applicable late fees totaling \$15,899.16 (\$11,560.79 + \$3,900.61 + \$299.90 + 137.86) are due to the City. **(W/P T-143)**

I agree I disagree _____ Please Initial: 


Explanation: _____

IV. Article VI, Section 6.2 of the Franchise Agreement stipulates that "if a City Audit reveals that FRANCHISEE under reported gross receipts, and results in additional revenue due the City in the amount of \$20,000.00 (per Fiscal Year) or more, FRANCHISEE agrees to pay for the cost of said Audit." Although the under reported gross receipts as determined by this audit field work totaled \$18,283.16 (less than \$20,000), additional audit hours were spent during the audit field work verifying the claim for credit relative to franchise fees for customer service accounts located outside the geographical boundaries of the City of Miami that WM inadvertently remitted to the City during the period 9/1/2004 through 8/31/2009 (5 years). Therefore, the \$5,000 cost of performing the additional audit procedures in connection with verification of WM's claim for credit is due to the City.


I agree _____ I disagree Please Initial: 

Explanation: Under reported gross was only \$18,283.16
Ordinance does not require us to pay under these conditions.

V. We reviewed WM's claim for a \$66,924.25 of credit relative to franchise fees for customer service accounts located outside the geographical boundaries of the City of Miami that WM inadvertently remitted to the City during the period 9/1/2004 through 8/31/2009 (5 years). Our review confirmed that \$58,955.32 of the \$66,924.25 credits claimed was due to WM. (W/P A-1)

I agree I disagree _____ Please Initial: 
Explanation: _____

VI Article VII, Section 7.2 of the Agreement states that "FRANCHISEE" agrees to maintain, for the term of this 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 Bond shall be equal to the FRANCHISEE'S previous 12 month franchise fees paid to the City (including the annual franchise fees, monthly 22% franchise fee, annual per account fee, and any other franchise fee paid to the City) or a minimum of \$25,000, whichever is greater, as security for the faithful performance of the Franchise Agreement. Our audit indicated that the total franchise fees due and payable to the City during the previous 12 months were \$3,852,635.97. However WM currently maintains a Surety Bond for only \$3,716,268.00. Accordingly, the required amount of Surety Bond needs to be increased by \$136,367.97. (W/P T-89)

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 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 November 20, 2009.

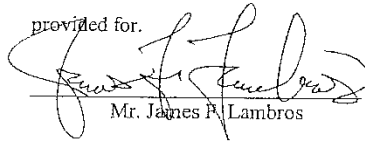
A summary schedule is attached for your reference. If you have any questions, please feel free to contact me at (305) 416-2047 or Victor Igwe (the Independent Auditor General) at (305) 416-2044.

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.


Mr. James P. Lambros

11/13/09
Date

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

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 explanations and attach all supporting documents/records. Please respond by November 20, 2009.

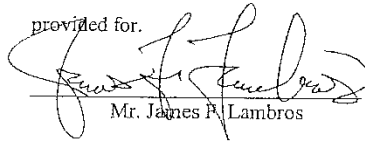
A summary schedule is attached for your reference. If you have any questions, please feel free to contact me at (305) 416-2047 or Victor Igwe (the Independent Auditor General) at (305) 416-2044.

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.


Mr. James P. Lambros

11/13/09
Date

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



WASTE MANAGEMENT INC. OF FLORIDA
2700 NW Wiles Road
Pompano Beach, FL 33073

12/3/2009

Victor I. Igwe, CPA, CIA
Auditor General, City of Miami
444 SW 2nd Ave, 7th Floor
Miami, FL 33130

Re: Response to Audit of Waste Management Inc. of Florida

Dear Mr. Igwe:

Waste Management is in agreement with all items noted on the Memorandum of Understanding with the exception of item 4. As you know, Article VI, Section 6.2 of the Franchise Agreement stipulates "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, the FRANCHISEE agrees to pay for the cost of said audit." The under-reported gross findings of Waste Management was only \$18,283.16, which is less than the \$20,000.00 limit. The City has requested that we pay \$5,000.00 even though Waste Management is not required by the Franchise Agreement to pay for the audit. Since the condition precedent for our obligation has not occurred, Waste Management disputes this charge.

Accordingly, we expect a check for our credit in the amount of \$45,672.16 (\$63,955.32 [total credits] - \$18,283.16 [underpaid to the City]).

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'James F. Lambros', written over a faint, larger version of the same signature.

James F. Lambros
Area Controller
Waste Management Inc. of Florida

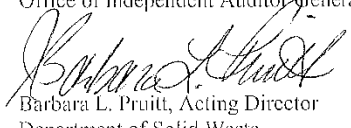
CITY OF MIAMI, FLORIDA
INTER-OFFICE MEMORANDUM

TO : Paulino Garcia, Staff Auditor
Office of Independent Auditor General

DATE : December 22, 2009

FILE :

SUBJECT : Response to Memo of
Understanding-Waste Mgmt.

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

REFERENCES : Audit # 10-008

ENCLOSURES:

I. Performance Bond:

We recognize the importance of all haulers obtaining the required amount of performance bond, which are necessary to safeguard City's best interest in the event of noncompliance. At the commencement of each fiscal year, our department sends every commercial solid waste hauler (haulers) a letter reminding them of their financial and fiduciary responsibilities to the City. Subsequent to a meeting held with your Office on December 15, 2009, we have also directed all haulers to remit all franchise fees payments henceforth to the City's Finance Department and no longer to the Solid Waste Department (SWD) as some of the haulers had done in the past. When said payments are remitted directly to the Finance Department, the payment receipt date as documented on the check logging sheet will be timelier. We will monitor the timeliness of all payments due and payable to the City and will prepare the appropriate legislation to request the City Commission to consider adjusting the performance bond of haulers accordingly, as provided in Article VII of the Franchise Agreement.

As evidenced by your memorandum of understanding, WM had concurred that its WM's Performance Bond was short by \$136,367.97. We also concur with your audit finding and recommendation and has informed WM that its Bond should be increased by \$136,367.97.

c: Steven Margolis, Auditor
Joe Tang, Fiscal Administrator

EXHIBIT I

**WASTE MANAGEMENT INC. OF FLORIDA
SCHEDULE OF FEES DUE TO THE CITY AND/OR CREDIT DUE TO AUDITEE
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>		
Thirty Four (34) accounts not reported	1,700.00	
Late Fee Penalty	<u>586.50</u>	2,286.50
<u>Miscoded Accounts</u>		
Unremitted Franchise Fees	11,560.79	
Unremitted Permit Per Account Fees	299.90	
Late Fee Penalty	<u>4,038.47</u>	<u>15,899.16</u>
TOTAL FEES DUE TO THE CITY		\$ 18,283.16
TOTAL CREDIT DUE TO WASTE MANAGEMENT, INC.		<u>(63,955.32)</u>
TOTAL CREDIT BALANCE DUE TO WASTE MANAGEMENT, INC.		<u><u>\$ (45,672.16)</u></u>