

# City of Miami

THEODORE P. GUBA, CPA, CIA, CFE  
INDEPENDENT AUDITOR GENERAL



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March 18, 2019

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 –  
World Waste Recycling, Inc.  
Report No. 19-06

## Executive Summary

We have completed an audit of records and selected financial transactions of World Waste Recycling, Inc. (World Waste) for the period from October 1, 2017 through January 7, 2019. The audit was performed to determine whether World Waste complied with applicable sections of the City Code and the Commercial Solid Waste Franchise Agreement (Agreement). On January 15, 2019, World Waste notified the City that they sold all of their outstanding company stock to Coastal Waste & Recycling Holding Company, LLC on January 7, 2019. During the audit period, World Waste reported Gross Receipts of \$2,809,576 for services provided within the City and remitted Franchise Fees totaling \$768,905 to the City.

Overall, we have concluded that transactions tested were for the most part in compliance with the Agreement and City Code. However, we noted that improvement is needed to ensure that all Franchise Fees are remitted timely. **As a result of this deficiency, World Waste owes the City an additional \$1,307.** Details are included on pages three and four of the report.

We wish to express our appreciation for the cooperation and courtesies extended to us by personnel at World Waste and the City's Solid Waste, Finance, and Risk Management Departments while conducting the audit.

Sincerely,

A handwritten signature in cursive script that reads 'Theodore P. Guba'.

Theodore P. Guba, CPA, CIA, CFE  
Independent Auditor General  
Office of the Independent Auditor General

C: The Honorable Mayor Francis Suarez  
Emilio T. Gonzalez, City Manager  
Victoria Mendez, City Attorney  
Todd Hannon, City Clerk  
Joseph Napoli, Deputy City Manager  
Sandra Bridgeman, Assistant City Manager/Chief Financial Officer  
Nzeribe Ihekwaba, Assistant City Manager/Chief of Operations  
Fernando Casamayor, Assistant City Manager  
Erica Paschal, Director of Finance, Finance Department  
Christopher Rose, Director, Office of Management and Budget  
Mario Nunez, Director, Solid Waste Department  
Jennifer Moy, Assistant Director, Solid Waste Department  
Vanessa Giron, Fiscal Administrator, Solid Waste Department  
Demetrio Constantiny, Accounts Receivable Supervisor, Finance Department  
Martha Saroza, President, World Waste Recycling, Inc.  
Melissa Rodriguez, Director, World Waste Recycling, Inc.  
Members of the Audit Advisory Committee  
Audit Documentation File

Audit conducted by: Paulino Garcia, Staff Auditor

Audit reviewed by: Robyn Sachs, CPA, CIA, CISA, CFE, CISSP  
Information Systems Audit Administrator

**AUDIT OF COMPLIANCE WITH COMMERCIAL SOLID WASTE FRANCHISE  
AGREEMENT – WORLD WASTE RECYCLING, INC.**

**OCTOBER 1, 2017 THROUGH JANUARY 7, 2019  
Report No. 19-06**

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## **SCOPE, OBJECTIVES, AND METHODOLOGY**

The scope of the audit was to assess and report on whether World Waste complied with the terms of the Agreement and with Chapter 22 of the City Code, which govern the operations 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 generally accepted accounting principles. The audit covered the period October 1, 2017 through January 7, 2019, the date when World Waste sold all of their outstanding company stock to Coastal Waste & Recycling Holding Company, LLC.

The primary objectives of the audit were:

- 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 the Agreement were properly computed and remitted to the City.
- 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 the Agreement.
- To follow-up on prior audit findings and determine the status of all unresolved and outstanding issues, if any.

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, appropriate evidence 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:

- Interviews and inquiries of appropriate personnel.
- Reviews of written policies and procedures to gain an understanding of internal controls
- Reviews of accounts to determine whether the account activity pertained to recycling, construction and demolition hauling (C&D), or solid waste hauling.
- Reviewing the service addresses of World Waste's accounts located in Miami-Dade County (unincorporated areas and other municipalities), then independently determining which accounts were located within the City by utilizing World Waste's account address records; the Miami-Dade County Property Appraiser website; and Google maps.
- Tests of applicable financial transactions and records.
- Other audit procedures as deemed necessary.

## **BACKGROUND**

On September 23, 2010, the City executed a Non-Exclusive Commercial Solid Waste Agreement (Agreement) with selected firms for the period starting October 1, 2010 through September 30, 2015, with three one-year renewal option periods through September 30, 2018. World Waste was selected as one of the haulers awarded a franchise in the City in 2015. In March 2016, the City executed a new version of the Agreement with all franchisees, including World Waste.

Pursuant to the Agreement and the City Code, the following franchise fees shall be assessed and collected:

- Monthly Gross Receipts Franchise Fees – The greater of \$500 per month or 24% of the Gross Receipts generated from accounts within the City.
- Annual Franchise Fee – \$10,500 the first year under the new Agreement (increased annually by \$500) for the right to provide commercial solid waste handling services within the City limits.
- Annual Specialized Waste Handling Fee – \$6,500 for the first year under the new Agreement, (increased annually by \$500) for the right to provide specialized waste handling services.
- Permit Per Account Fee – \$75 for each solid waste hauling account and roll-off container active as of October 1<sup>st</sup> of each fiscal year, of which the franchisee may pass on \$38 to the customer. Temporary roll-off containers placed in service after October 1<sup>st</sup> must obtain permits valid for 90-day intervals at the prevailing per-account rate, and new accounts acquired after October 1<sup>st</sup> are subject to the per-account fee.
- Late Payment Penalty – All late payments of the above-listed fees will cause the franchisee a one and one-half percent (1.5%) penalty per month on the balance payable to the City.

Other terms of the Agreement require the following:

- Insurance: Franchisee must maintain a public liability 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 also include workers' compensation coverage. The City shall be listed as an additional insured for liability.
- Performance Bond: Franchisee agrees 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. The amount of the bond shall be the greater of \$25,000 or the franchisee's previous 12 months' franchise fees paid to the City.

According to Florida Statutes, source-separated recovered materials are exempt from Franchise Fees. However, the Agreement states that all other solid waste hauling activity, including C&D and grapple, is subject to Franchise Fees. During the fiscal year ended September 30, 2018, the haulers remitted a total of \$17,551,425 in fees to the City. World Waste is one of the franchisees selected for audit in order to determine compliance with the provisions of the Agreement and City Code. A separate audit report will be issued for each of the franchisees audited.

## **AUDIT FINDINGS AND RECOMMENDATIONS**

Overall, we have concluded that transactions tested were for the most part in compliance with the Agreement and City Code. However, we noted that improvement is needed to ensure that all Franchise Fees are remitted timely. **As a result of this deficiency, World Waste owes the City an additional \$1,307.**

Details of our findings and recommendations follow:

### **FINDING 1: LATE PAYMENT PENALTIES ARE DUE TO THE CITY**

World Waste reported Gross Receipts of \$2,809,576 for services provided within the City during the audit period and remitted Franchise Fees of \$768,905 during the same period. However, our audit of World Waste's accounting and billing records disclosed that late fees in the amount of \$1,307 are due and payable to the City (see Exhibit I, page 4), as discussed below.

#### ***LATE REMITTANCE OF MONTHLY 24% FRANCHISE FEES***

Pursuant to Section 5.2 of the Agreement, Franchisees are required to remit monthly to the City 24 percent (24%) of Gross Receipts generated from accounts within the City limits, or \$500 per month, whichever is greater. Failure to remit payment by the last day of the following month results in a monthly penalty of one and one-half percent (1.5%) on the balance due.

Our review of World Waste's remittances disclosed that they paid late the December 2017 monthly 24% Franchise Fees in the amount of \$58,135. As a result, a late payment penalty of **\$872** is due to the City.

#### ***LATE REMITTANCE OF ANNUAL PERMIT PER ACCOUNT FEE***

Pursuant to Article V of the Agreement, Franchisees are required to remit to the City annually a Permit Per Account Fee in the amount of seventy-five dollars (\$75.00) (due October 1<sup>st</sup>), for each account active as of October 1<sup>st</sup> each fiscal year. All late payments of this fee result in a one and one-half percent (1.5%) penalty per month on the balance due.

Our review of World Waste's remittances disclosed that they paid late the fiscal year 2019 Annual Permit Per Account Fee in the amount of \$29,025. As a result, a late payment penalty of **\$435** is due to the City.

**AUDITEE RESPONSE:** World Waste personnel have reviewed and are in agreement with our findings.

### **RECOMMENDATION 1: FINANCE DEPARTMENT**

We recommend that the City's Finance Department bill and collect the total additional fees due to the City from World Waste in the amount of \$1,307 as shown in Exhibit I on page 4.

**EXHIBIT I**

**AUDIT OF COMPLIANCE WITH COMMERCIAL SOLID WASTE FRANCHISE  
AGREEMENT – WORLD WASTE RECYCLING, INC.**

**OCTOBER 1, 2017 THROUGH JANUARY 7, 2019  
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**SCHEDULE OF ADDITIONAL FEES DUE TO THE CITY**

<b>Description</b>	<b>Fees Due (\$)</b>
Late Remittance of Monthly Franchise Fees – December 2017	\$872
Late Remittance of Annual Permit Per Account Fee – Fiscal Year 2019	\$435
<b>Total Due to the City</b>	<b>\$1,307</b>