

City of Miami

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



Telephone (305) 416-2044
E-Mail: tguba@miamigov.com

May 10, 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/
Great Waste and Recycling Services, LLC
Report No. 19-09

Executive Summary

We have completed an audit of records and selected financial transactions of Great Waste and Recycling Services, LLC (Great Waste) primarily for the period from October 1, 2017 through September 30, 2018. The audit was performed to determine whether Great Waste complied with applicable sections of the City Code and the Commercial Solid Waste Franchise Agreement (Agreement). Additionally, we examined relevant internal control policies and procedures in the City to determine whether they were adequate and effective in administering and overseeing the operation of commercial solid waste hauling services in the City. During the period, Great Waste reported Gross Receipts of \$877,757 for services provided to City customers and remitted Franchise Fees totaling \$237,543 to the City.

Based on the results of our audit, we have concluded that City's internal controls were effective and being adhered to. However, improvement is needed at Great Waste to comply with the City Code and Agreement, including to ensure that all accounts located within the City are included in Gross Receipts and Franchise Fee remittances. **As a result of this deficiency, Great Waste owes the City an additional \$4,009** (See Exhibit I, page 4).

We wish to express our appreciation for the cooperation and courtesies extended to us by personnel at Great Waste and the City 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 Ihekwa, 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
Carlo Piccinonna, President, Great Waste and Recycling Services, LLC
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 THE COMMERCIAL SOLID WASTE
FRANCHISE AGREEMENT – GREAT WASTE AND RECYCLING
SERVICES, LLC**

**OCTOBER 1, 2017 THROUGH SEPTEMBER 30, 2018
REPORT No. 19-09**

TABLE OF CONTENTS

SCOPE, OBJECTIVES AND METHODOLOGY1

BACKGROUND.....2

AUDIT FINDINGS AND RECOMMENDATIONS3

 FINDING 1: A CITY OF MIAMI CUSTOMER ACCOUNT WAS MISCODED AS EXISTING OUTSIDE
 THE BOUNDARIES OF THE CITY3

EXHIBIT I4

SCOPE, OBJECTIVES AND METHODOLOGY

The scope of the audit was to assess and report on whether Great Waste and Recycling Services, LLC (Great Waste) 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, 2017 through September 30, 2018 and 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 examine the relevant internal controls policies and procedures within the City and determine whether they were adequate and effective in administering and overseeing the operation of commercial solid waste hauling services in the City.

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 Great Waste's accounts located in Miami-Dade County, then independently determining which accounts were located within the City by utilizing Great 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

Pursuant to request for qualifications No. 222246, the City executed a Non-Exclusive Commercial Solid Waste Franchise Agreement (Agreement) with selected haulers effective from October 1, 2010 through September 30, 2015, with three one-year renewal options through September 30, 2018. On March 14, 2016, the City executed an updated version of the Agreement with all haulers, including Great Waste, pursuant to request for qualifications No. 495344.

According to the Agreement, the City shall assess and collect the following fees and costs:

- **Gross Receipts Franchise Fees**: The greater of \$500 or 24% of the Gross Receipts, as defined in the Agreement, generated from accounts within the City, due monthly.
 - **Gross Receipts Definition**: all monies collected from customers resulting from all transactions and activities in the Franchisee's regular course of business and trade, including recycling with the exceptions of recovered materials at commercial establishments as defined in Florida Statute 403.
- **Annual Franchise Fee**: \$10,500 the first year under the Agreement, increased by \$500 each subsequent year.
- **Permit Per Account Fee**: \$75 for each solid waste hauling account and permanent roll-off container active as of October 1st of each fiscal year, of which the franchisee may pass on \$38 to the customer. Temporary roll-off containers placed in service after October 1st must obtain permits valid for 90-day intervals at the prevailing per-account rate, and new accounts acquired after October 1st 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.

The City has implemented internal control policies and procedures to enforce the provisions of the Agreement. During the fiscal year ended September 30, 2018, the franchisees remitted a total of \$17,551,425 in fees to the City. Great Waste is one of the franchisees selected for audit in order to determine compliance with the Agreement and City Code. A separate audit report will be issued for each of the franchisees audited.

AUDIT FINDINGS AND RECOMMENDATIONS

Based on the results of our audit, we have concluded that City's internal controls were effective and being adhered to. However, improvement is needed at Great Waste to comply with the City Code and Agreement, including to ensure that all accounts located within the City are included in Gross Receipts and Franchise Fee remittances. **As a result of this deficiency, Great Waste owes the City an additional \$4,009** (See Exhibit I, page 4).

Details of our findings and recommendations follow:

FINDING 1: A CITY OF MIAMI CUSTOMER ACCOUNT WAS MISCODED AS EXISTING OUTSIDE THE BOUNDARIES OF THE CITY

Section 5.2 of the Agreement states, "Franchisee agrees to remit monthly to the City, twenty four percent (24%) of its Gross Receipts, generated from accounts within the City limits, or \$500, whichever is greater. [...] Failure to remit by the last day of the following month will cause the Franchisee a one and one half percent (1.5%) penalty per month on the balance due."

Great Waste did not report one customer account served within City boundaries and pay the corresponding monthly 24% Franchise Fees. Due to the omission of \$12,582 in Gross Receipts related to this account, Great Waste owes the City \$3,020 in monthly 24% Franchise Fees and late payment penalties of \$703.

Also, Section 5.6 of the Agreement states, "Franchisee agrees to remit to the City annually a Permit Per Account Fee in the amount of seventy-five (\$75.00) (due October 1) for each account and each roll-off effective October 1st of every new fiscal year. All late payments of this fee will cause the Franchisee a one and one half percent (1.5%) penalty per month on the balance due."

Great Waste owes the Permit Per Account Fees (PPAFs) on the miscoded account for fiscal years 2017, 2018 and 2019. As a result, PPAFs of \$225 plus related late payment penalties of \$61 are due.

The total due on this miscoded account is \$4,009 as shown in Exhibit I on Page 4.

Auditee Response: We reviewed your findings and agree.

OVERALL RECOMMENDATION: FINANCE DEPARTMENT

We recommend that the City's Finance Department bill and collect the total additional fees due to the City from Great Waste in the amount of \$4,009.

**AUDIT OF COMPLIANCE WITH THE COMMERCIAL SOLID WASTE
FRANCHISE AGREEMENT – GREAT WASTE AND RECYCLING
SERVICES, LLC**

**OCTOBER 1, 2017 THROUGH SEPTEMBER 30, 2018
REPORT No. 19-09**

EXHIBIT I

SCHEDULE OF ADDITIONAL FEES DUE TO THE CITY

Description	Franchise Fees Due	Late Payment Penalties Due	Total Due
Miscoded Customer Accounts	\$3,020	\$703	\$3,723
Unpaid Permit Per Account Fees and Late Payment Fees on Miscoded Customer Accounts	\$225	\$61	\$286
Total Due to the City:	\$3,245	\$764	\$4,009