

City of Miami

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



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January 16, 2020

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

Re: Audit of J&M Scaffolds of Florida, Inc.
Report No. 20-04

Executive Summary

We have completed an audit of selected financial records and transactions of J&M Scaffolds of Florida, Inc. (J&M) primarily for the period from October 1, 2014 through September 30, 2019. The audit was performed to determine whether J&M complied with applicable sections of the Commercial Solid Waste Franchise Agreement (Agreement). Additionally, we examined relevant internal control policies and procedures in the City's Solid Waste Department to determine whether they were adequate and effective in enforcing the provisions of the Agreement.

During the audit period, J&M reported Gross Receipts of \$256,099 for services provided to City customers and remitted Franchise Fees totaling \$112,734 to the City.

Based on the results of our audit, we have concluded that improvement is needed at J&M to ensure that all franchise fees are remitted in a timely manner. **As a result of these deficiencies, J&M owes the City an additional \$279.** (See Exhibit I, page 4).

We wish to express our appreciation for the cooperation and courtesies extended to us by J&M and City personnel while conducting the audit.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Theodore P. Guba', is written over a horizontal line.

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
Fernando Casamayor, Assistant City Manager/Chief of Operations
Nzeribe Ihekwa, Assistant City Manager/Chief of Infrastructure
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
Rene Guerra, J&M Scaffolds
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 J&M SCAFFOLDS OF FLORIDA, INC.
OCTOBER 1, 2014 THROUGH SEPTEMBER 30, 2019
REPORT No. 20-04

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SCOPE, OBJECTIVES AND METHODOLOGY

The scope of the audit was primarily to assess and report on whether J&M Scaffolds of Florida, Inc. (J&M) and the City's Solid Waste Department (SWD) complied with the terms of the Commercial Solid Waste Franchise Agreement (Agreement) which, along with Chapter 22 of the City's Code, govern the operation of commercial solid waste collection services in the City. The audit covered the period October 1, 2014 through September 30, 2019 and the objectives 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 verify whether the appropriate public liability insurance and bonds were obtained as required by the Agreement.
- 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 determine whether selected financial transactions were processed in accordance with generally accepted accounting principles.
- 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.
- Observations of current practices and processing techniques.
- Reviewing the service addresses of J&M's accounts located in Miami-Dade County, then independently determining which accounts were located within the City by utilizing J&M's account address records; the Miami-Dade County Property Appraiser website; and Google maps.
- Tests and examinations 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. In 2016, the City executed an updated version of the Agreement with all haulers, including J&M, pursuant to request for qualifications No. 495344.

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

- Gross Receipts Franchise Fees – The greater of \$500 or 24% of the Gross Receipts generated from accounts within the City, due monthly.
 - Gross Receipts are defined in the Agreement as 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 the Florida Statutes.
- Annual Specialized Waste Handling Fee – \$6,500 the first year under the Agreement (2016), increased annually by \$500 for the right to provide specialized waste handling services.
- Permit Per Account Fee – \$75 for each account booked as of October 1st of every new fiscal year and for each new account and roll-off box acquired after October 1st.
- 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.

During the fiscal year ended September 30, 2019, the franchisees remitted a total of \$16,995,280 in fees to the City. During the audit period, J&M reported Gross Receipts of \$256,099 for services provided to City customers and remitted Franchise Fees totaling \$112,734 to the City. J&M 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 improvement is needed at J&M to ensure that all franchise fees are remitted in a timely manner. **As a result of these deficiencies, J&M owes the City an additional \$279.** (See Exhibit I, page 4).

Details of our findings and recommendations follow:

FINDING 1: ANNUAL AND MONTHLY FEES WERE REMITTED LATE

Section 5.6 of the Agreement states, “Annual Specialized Waste Handling Fee: Franchisee agrees to remit to the City annually (due October 1st) the sum of \$6,500 for the right to provide only Specialized Waste Handling Services within the City limits. It should be noted, if a Franchisee is providing only Specialized Waste Handling Services within the City, the annual franchise fee will increase by \$500 per 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.”

J&M remitted the Annual Specialized Waste Handling Fee for fiscal years 2015 and 2016 late by three and six months, respectively, and owes late fees of \$211, as shown in the table below:

Table 1. Schedule of Late Remittances of Annual Franchise Fees				
Fiscal Year	Months Late	Late Fees	Paid	Amount Due
2015	3	\$180	(\$0)	\$180
2016	6	\$585	(\$554)	\$31
Late Fees on Annual Franchise Fees:		\$765	(\$554)	\$211

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.”

J&M remitted monthly 24% franchise fee payments late, as shown in the table below:

Table 2. Schedule of Late Remittances of Monthly Franchise Fees		
Payment Month	Months Late	Late Fees Due
November 2015	1	\$8
January 2017	1	\$11
January 2018	1	\$49
Late Fees on Monthly Franchise Fees:		\$68

Auditee Response: We have 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 J&M in the amount of \$279.

J&M SCAFFOLDS OF FLORIDA, INC.

OCTOBER 1, 2014 THROUGH SEPTEMBER 30, 2019

REPORT No. 20-04

EXHIBIT I

SCHEDULE OF AMOUNTS DUE TO THE CITY

Description	Late Fees Due	Total Due
Late Payments of Annual Specialized Waste Handling Fee	\$211	\$211
Late Payments of Monthly 24% Franchise Fees	\$68	\$68
Total Due to the City:	\$279	\$279