

# City of Miami

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



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September 30, 2020

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

Re: Audit of Lopefra Corporation  
Report No. 20-13

## Executive Summary

We have completed an audit of selected financial records and transactions of Lopefra Corporation (Lopefra), primarily for the period from October 1, 2018 through September 30, 2019. The audit was performed to determine whether Lopefra 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 and Finance Department to determine whether they were adequate and effective in enforcing the provisions of the Agreement.

During the audit period, Lopefra reported Gross Receipts of \$830,334 for services provided to City customers and remitted Franchise Fees totaling \$237,844 to the City. Based on the results of our audit, we have concluded that improvement is needed at Lopefra to ensure that permit fees are remitted for all roll-off containers. **As a result of this deficiency, Lopefra owes the City an additional \$296.** (See page 3).

We wish to express our appreciation for the cooperation and courtesies extended to us by Lopefra and City personnel 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  
Art Noriega, V, City Manager  
Victoria Mendez, City Attorney  
Todd Hannon, City Clerk  
Sandra Bridgeman, Assistant City Manager/Chief Financial Officer  
Fernando Casamayor, Assistant City Manager/Chief of Operations  
Nzeribe Ihekwaba, 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  
Rosemary Hartigan, Lopefra Corporation  
Members of the Audit Advisory Committee  
Audit Documentation File

Audit conducted by: Paulino Garcia, Staff Auditor

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

**AUDIT OF LOPEFRA CORPORATION**  
**OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2019**  
**REPORT No. 20-13**

**TABLE OF CONTENTS**

SCOPE, OBJECTIVES AND METHODOLOGY .....	1
BACKGROUND.....	2
AUDIT FINDINGS AND RECOMMENDATIONS .....	3
FINDING 1:    ROLL-OFF CONTAINER PERMIT FEES WERE NOT REMITTED.....	3

## **SCOPE, OBJECTIVES AND METHODOLOGY**

The scope of the audit was primarily to assess and report on whether Lopefra and the City's Solid Waste Department and Finance Department 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, 2018 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 Lopefra's accounts located in Miami-Dade County, then independently determining which accounts were located within the City by utilizing Lopefra'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 Lopefra, 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 Franchise Fee – \$10,500 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 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 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.

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, Lopefra reported Gross Receipts of \$830,334 for services provided to City customers and remitted Franchise Fees totaling \$237,844 to the City. Lopefra is one of the franchisees selected for audit 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 Lopefra to ensure that permit fees are remitted for all roll-off containers. **As a result of this deficiency, Lopefra owes the City an additional \$296.**

Details of our findings and recommendations follow:

### **FINDING 1: ROLL-OFF CONTAINER PERMIT FEES WERE NOT REMITTED**

Section 5.5 of the Agreement requires payment of temporary roll-off/container permit fees, stating, “for each new commercial account and new roll-off box or container acquired after October 1st, the Franchisee agrees to remit a fee of \$75 for each account acquired during any month of the contract 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.”

The City Code of Ordinances, Article I, § 22-1 states, “temporary roll-off/container permit fee” shall mean the charge paid every 90 days the account remains active, per account to the city for each large container and/or roll-off utilized by franchisees to provide contracted removal and disposal of waste from commercial constructions and demolition, renovation and other similar accounts which are of a temporary nature.

Lopefra did not obtain roll-off container permits for one container in service for nine months. As a result, permit fees of \$225 (\$75 x 3 permits), plus late fees totaling \$71 were due on the unpaid permits. Permit and late fees totaling \$296 are due, as shown in Table 1 below.

<b>Table 1. Permit Fees and Late Fees Due on Unpaid Roll-Off Permits</b>						
<b>Fiscal Year</b>	<b>Roll-Off Permit Fee</b>	<b>Months in Service</b>	<b>Permits Required</b>	<b>Permit Fees Due</b>	<b>Late Fees Due</b>	<b>Total Due</b>
2019	\$75	9	3	\$225	\$71	\$296

**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 Lopefra in the amount of \$296.