

City of Miami

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



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December 30, 2020

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

Re: Audit of Pronto Waste Service, Inc.
Report No. 21-03

Executive Summary

We have completed an audit of selected financial records and transactions of Pronto Waste Service, Inc. (Pronto Waste), primarily for the period from October 1, 2018 through September 30, 2020. The audit was performed to determine whether Pronto Waste 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, Pronto Waste reported Gross Receipts of \$65,806 for services provided to City customers and remitted Franchise Fees totaling \$50,516 to the City. Based on the results of our audit, we have concluded that improvement is needed at Pronto Waste to ensure that all City accounts are reported in the Franchise Fee remittances, that all Gross Receipts are included in Franchise Fee computations and that Permit Fees are remitted for all roll-off containers. **As a result of these deficiencies, Pronto Waste owes the City an additional \$2,348.** (See Exhibit I, page 6).

We wish to express our appreciation for the cooperation and courtesies extended to us by Pronto Waste 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
Fernando Casamayor, Assistant City Manager/Chief of Operations
Nzeribe Ihekwebaba, Assistant City Manager/Chief of Infrastructure
Erica Paschal, Director of Finance, Finance Department
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
Roberto Arencibia, President, Pronto Waste Service, Inc.
Members of the Audit Advisory Committee
Audit Documentation File

Audit conducted by: Paulino Garcia, Staff Auditor

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

AUDIT OF PRONTO WASTE SERVICE, INC.
OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2020
REPORT No. 21-03

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SCOPE, OBJECTIVES AND METHODOLOGY

The scope of the audit was to assess and report on whether Pronto Waste 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 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, 2018 through September 30, 2020 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 determine whether selected financial transactions were processed in accordance with generally accepted accounting principles, properly recorded in the City's accounting system and deposited into the City's treasury.
- 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.
- 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 Pronto Waste's accounts located in Miami-Dade County, then independently determining which accounts were located within the City by utilizing Pronto Waste'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 March 2016, the City executed an updated version of the Agreement with all haulers, including Pronto Waste, pursuant to request for qualifications No. 495344.

According 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 limits, 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 the Florida Statutes.
- **Annual Franchise Fee**: \$10,500 the first year under the Agreement (2016), increased annually by \$500 for the right to be a Franchisee for commercial solid waste 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, 2020, franchisees remitted a total of \$16,548,913 in fees under the Agreement to the City. During the audit period, Pronto Waste reported Gross Receipts of \$65,806 for services provided to City customers and remitted Franchise Fees totaling \$50,516 to the City. Pronto Waste 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 Pronto Waste to ensure that all City accounts are reported in the Franchise Fee remittances, that all Gross Receipts are included in Franchise Fee computations and that Permit Fees are remitted for all roll-off containers. **As a result of these deficiencies, Pronto Waste owes the City an additional \$2,348.** (See Exhibit I, page 6).

Details of our findings and recommendations follow:

FINDING 1: CITY OF MIAMI CUSTOMER ACCOUNTS WERE UNREPORTED

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.”

Pronto Waste did not report nine (9) customer accounts served within City boundaries and pay the corresponding monthly 24% Franchise Fees on Gross Receipts of \$3,995 collected from these customers. As a result, Franchise Fees of \$959, plus late fees of \$268, totaling \$1,227 are due.

FINDING 2: GROSS RECEIPTS WERE EXCLUDED FROM FRANCHISE FEE REMITTANCES

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.”

Due to bookkeeping errors, Pronto Waste excluded Gross Receipts totaling \$3,179 derived from services provided to City customers in July, August and September 2019. As a result, Franchise Fees of \$763, plus late fees of \$161, totaling \$924 are due, as shown in Table 1 below.

Table 1. Schedule of Excluded Gross Receipts and Fees Due				
Month/Year	Excluded Gross Receipts	Franchise Fees Due	Late Fees Due	Total Due
July 2019	\$957	\$230	\$52	\$282
August 2019	\$1,434	\$344	\$72	\$416
September 2019	\$788	\$189	\$37	\$226
Total:	\$3,179	\$763	\$161	\$924

FINDING 3: 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.

Pronto Waste did not obtain roll-off container permits for two (2) containers. As a result, permit fees of \$150, plus late fees of \$47, totaling \$197 are due.

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 Pronto Waste in the amount of \$2,348.

AUDIT OF PRONTO WASTE SERVICE, INC.
OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2020
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EXHIBIT I

SCHEDULE OF ADDITIONAL FEES DUE TO THE CITY

Description	Amount Due (\$)
Unreported City Accounts (Finding 1, Page 3)	
Franchise Fees	959
Late Fees	268
Excluded Gross Receipts (Finding 2, page 3)	
Franchise Fees	763
Late Fees	161
Unremitted Roll-Off Permit Fees (Finding 3, page 3)	
Franchise Fees	150
Late Fees	47
Total Due to the City:	\$2,348