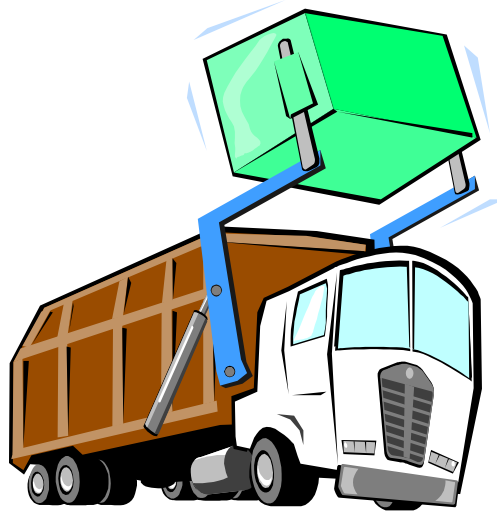


**CITY OF FORT LAUDERDALE  
INTERNAL AUDIT OFFICE  
AUDIT REPORT**

**Review of  
Licensed Private Collector  
All Service Refuse**



**AUDIT NO. 02/03-XX-06  
DATED June 20, 2003**

**MEMORANDUM NO. 03-25**

**DATE:** June 20, 2003

**TO:** Assistant City Manager/Greg Kisela

**SUBJECT:** *Review of Licensed Private Collector – All Service Refuse*

Enclosed is a copy of the Final Report of Audit on the Contract Compliance Review – All Service Refuse.

Allyson C. Love  
Internal Audit Director

1 Attachment - Final Report of Audit

c: Floyd T. Johnson/City Manager  
Bud Bentley/Assistant City Manager  
Terry Sharp/Finance Director  
Boe Cole/Treasurer

ACL/cs

## **REPORT OF AUDIT NO. 02/03-XX-06**

Date: April 17, 2003

To: Public Services Director/Greg Kisela

Via: Internal Audit Director/Allyson C. Love

From: Assistant Internal Audit Director/James Hamill

Subject: Review of Licensed Private Collector – All Service Refuse

### **BACKGROUND**

The City of Fort Lauderdale (City) requires all solid waste private collectors to apply for a license to service accounts within the corporate limits of the City. The license for private solid waste services gives each licensed collector a franchise to collect garbage, trash and similar waste materials, and recyclables within the City. The franchise fees payable to the City equal seventeen (17) percent of gross receipts. Gross receipts do not include taxes and the amount of franchise fees when such are separately and accurately delineated on the billing statement to customers. Franchise fees are due and payable to the City by the twentieth calendar day of the month following the month the services were provided.

The City issued a license (790005) to All Service Refuse (ASR), an operating division of Republic Services of Florida, LP to collect and dispose of a wide range of commercial, industrial and construction related solid waste and recyclables. The license will expire on September 30, 2005.

The City's Public Services Department, Sanitation Division, is responsible for the overall administration and management of the municipal solid waste program. City Ordinance section 24-66 outlines license policies and procedures.

### **SCOPE**

The overall objective of our review was to determine if ASR properly remitted franchise fees to the City according to the license agreement. The audit involved the following: (1) a review of the licensee's accounting records, (2) verification of correct jurisdictional coding of ASR's Broward all-inclusive customer database (service addresses) using Arc view GIS

## REPORT OF AUDIT NO. 02/03-XX-06

address matching methodology, and (3) detailed testing of cash transactions which support franchise fee worksheet amounts, and (4) verification bad debts recovered were included with the franchise fee calculations. We reviewed documents and transactions from October 2000 through November 2002. The audit/review was performed during the months of December 2002 through February 2003. The audit was performed according to generally accepted government auditing standards.

### OVERALL EVALUATION

The haulers license agreement was properly executed and license fees paid. The Sanitation Fund was underpaid \$2,269 due to incorrect coding of taxing jurisdictions and/or due to recovered delinquent receivables not being included in the franchise fee calculation. Furthermore, ASR excluded from franchise fees many accounts that are contracted for the removal of construction and demolition debris, yard waste, roofing material etc. This occurred since the language in the license agreement is not concise enough to prevent this.

### FINDING 1

***The Sanitation Fund was under paid \$1,475 in franchise fees as a result of incorrectly coded commercial, industrial and temporary service accounts.***

*License Agreement, Paragraph 3 states a complete and accurate account list for both recycling and solid waste accounts including the account name, address and telephone number for all accounts serviced at the time of application will be submitted with the license application.*

We noted the following types of exceptions.

- a) 50 accounts were miscoded to other municipalities and/or unincorporated Broward County; even though they actually were within the boundaries of the City resulting in an underpayment of \$15,079 (**Schedule 1**).
- b) 56 accounts were miscoded to the City even though they actually were within the boundaries of other municipalities and/or unincorporated Broward County resulting in an overpayment of \$13,604 (**Schedule 2**).

## REPORT OF AUDIT NO. 02/03-XX-06

It appears the miscoding occurred at the time ASR sales personnel initially coded a service address to a particular jurisdiction, which was based upon their personal knowledge of the sales area and/or what the customer represented their address to be.

Proper coding of customer accounts by Licensee will assist in the accuracy of the revenues received by the City.

### **RECOMMENDATIONS AND MANAGEMENT COMMENTS**

The *General Services Manager* should:

**Recommendation 1.** *Invoice ASR \$1,475 for underpaid franchise fees from October 2000 through November 2002.*

**Management Comment.** *Management concurred with the finding and recommendation and stated:* “We will invoice All Service for \$1,475 for underpaid franchise fees.” **Estimated completion date August 1, 2003.**

**Recommendation 2.** *Provide written notification to the Licensee to update all miscoded accounts to reflect the correct jurisdictional coding. The implementation date and evidence of the changes should be immediately provided to the City.*

**Management Comment.** *Management concurred with the finding and recommendation and stated:* “We will notify all licensees to update miscoded accounts to reflect correct jurisdictional coding.” **Estimated completion date August 1, 2003.**

**Recommendation 3.** *Require the Licensee to review and submit a corrective action plan to strengthen their current operating procedure to minimize the possibility of future coding errors. The Licensee, at a minimum, should be encouraged to verify service addresses near the perimeter boundary of the city through the City’s Geographic Information System/City Maps hyperlink on the City’s web page. This will assist in the validation of whether an address is within the City.*

## REPORT OF AUDIT NO. 02/03-XX-06

**Management Comment.** *Management concurred with the finding and recommendation and stated:* “We will notify all licensees of the audit recommendations and encourage them to utilize the City web page and/or the Broward County Property Appraiser web page. We will also provide them the City Customer Service number if any additional assistance is required.” **Estimated completion date August 1, 2003.**

**Recommendation 4.** *Incorporate language into the License Agreement to have the Licensee submit with the application package a copy of the current operating procedure they follow to determine the correct jurisdictional coding for a service address. Additionally, an annual Licensee self-assessment/address verification requirement should be added to these multi-year agreements.*

**Management Comment.** *Management concurred with the finding and recommendation and stated:* “We will forward your recommendations to the City Attorney for review by **July 1, 2003**. If they concur, we will revise the license agreement and include the new language. **This item is open.**

### **FINDING 2**

**The Sanitation Fund was underpaid \$794 in franchise fees as the result of the recovered delinquent customer receivables.**

*License Agreement, Paragraph 4 states the City ... total franchise fees due payable to the City calculated at 17% of the gross receipts received by the applicant during the month.*

Our analysis of recovered delinquent accounts for ASR revealed 10 accounts were collected through their attorney and/or a collection agency, yet the City did not subsequently receive the associated franchise fees (**Schedule 3**).

ASR has not formalized a procedure to require the inclusion of bad debts recovered as a gross receipt for purposes of calculating their monthly franchise fee remittance.

**REPORT OF AUDIT NO. 02/03-XX-06**

Sanitation Fund revenues can be maximized if bad debt recoveries are included in the monthly gross receipts for the determination of franchise fees due.

**RECOMMENDATIONS AND  
MANAGEMENT COMMENTS**

The *General Services Manager* should:

**Recommendation 5.** *Invoice ASR for \$794 due on recovered bad debts.*

**Management Comment.** *Management concurred with the finding and recommendation and stated:* “We concur with the recommendation and will invoice All Service \$794 due on recovered bad debts.” **Estimated completion date August 1, 2003.**

**Recommendation 6.** *Require ASR to submit a revised copy of their operating procedure to include a new step to pull in cash receipts for recovered bad debts into the monthly worksheet used to calculate the franchise fee remittance.*

**Management Comment.** *Management concurred with the finding and recommendation and stated:* “The Financial Administrator will coordinate with All Service to revise their current submittal worksheet to include any cash receipts for recovered bad debts.” **Estimated completion date August 1, 2003.**

**FINDING 3**

*The City could have recovered over \$141,241 in additional franchise fee revenues if the language in the license agreement was more specific on the types of services and materials included in the franchise fee calculation base.*

<i>City License Agreement – Paragraph 4</i>	<i>Florida Statute 403.703 (Definitions)</i>
Gross billings and receipts, for franchise fee purposes, will include lease and container rental for roll-offs and other bulk containers,	The exemption should be limited to source separated recovered materials as defined in the statute.

## REPORT OF AUDIT NO. 02/03-XX-06

but will not include taxes, <i>payments from commercial enterprises for source separated recycling services</i> , franchise fees, or lease or container rental for compactors or other waste processing equipment permanently installed at account locations	
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A review of three months of non-taxable sales revealed 153 accounts were exempted from the franchise fee calculation of which 149 (97%) were considered by ASR to be “recycling accounts”. Based on ASR’s broad interpretation of the verbiage in the City’s license agreement, these accounts were not subject to franchise fees. However, Internal Audit questions the eligibility of the exemption based on the definitions in the Florida Statute of source separated recovered materials (**Exhibit 1**).

ASR collects and deposits construction and demolition debris, yard waste, roofing material, wood, paper products etc with Envirocycle, Inc. a related company. Envirocycle has pickers, which break bulk debris into separate marketable component parts like concrete, wood, cardboard, paper and metal. Residual material and solid waste with no market potential is land filled. The issue here is that these activities may not qualify as source separated because the separation does not occur at the point of **generation**. Additionally, most of the materials they process would **not** be considered recovered materials (metal, paper, glass, plastic, textiles and rubber,) i.e. recyclables per the statute (**Exhibit 2**).

According to a Construction and Demolition Debris (C&D) flow data analysis of Envirocycle for calendar 2001, the distribution of materials processed was as follows.

Material	Tons	%	Recovered Material
Wood/Yardwaste	20,945	20.02%	No
Old Corrugated Cardboard/Paper	18,910	18.08%	Yes
Dirt/Fill/Cover	5,352	5.12%	No
Metals	5,639	5.39%	Yes
Land Filled	53,769	51.40%	No
<b>Totals</b>	<b>104,615</b>	<b>100%</b>	

The City franchise fee revenues could be maximized if the language in the license agreement was concise and restricted the exemption to source separated recovered materials.



## REPORT OF AUDIT NO. 02/03-XX-06

### RECOMMENDATION 7

*The General Services Manager should consult with the City Attorney to clarify if recovered materials as defined in the Florida Statutes which have been source separated at the point of generation will be permitted as the only authorized exclusion from the franchise fee calculation.*

### MANAGEMENT COMMENT

*Management concurred with the finding and recommendation and stated: “We will forward a copy of your audit report to the City Attorney and will attempt to clarify if recovered materials, which have been source separated at the point of generation, will be permitted as the only authorized exclusion from the franchise fee calculation.” **This item is open.***

### FINDING 4

*The City did not give ASR formal written notice on when commercial franchise fees should be paid to the City opposed to Broward County. As a result, the City lost revenues of \$1,715.*

*The Interlocal Annexation Agreement with the City and Broward County, Paragraph 7 states under Garbage Collection – County shall continue to provide waste collection and recycling services until December 31, 2002. County shall retain all garbage collection residential and commercial franchise fees and other applicable revenues payable for all periods through December 31, 2002. County will have collected the special assessments for these services, thus the transition of services shall be effective on January 1, 2003 to the extent provided by Florida Statute.*

*The Interlocal Annexation Agreement with the City and Broward County, Paragraph 13, states under Allocation of Revenues – City shall coordinate the notification and filing for the necessary steps to ensure that all municipal and State revenue sources are transitioned to the City...*

We identified 16 commercial accounts in the Melrose Park and Riverland areas, which could have been transitioned effective October 1 but were transitioned on January 1, 2003, as follows.

**REPORT OF AUDIT NO. 02/03-XX-06**

<b>Customer #</b>	<b>Gross Receipt 9/15/02</b>	<b>Taxable Gross Receipts</b>	<b>Franchise Fee on Taxable Amount</b>	<b>Franchise Fee Lost – 3 Months</b>
22532	0			
25094	\$ 223.35			
28775	0			
29014	60.19			
30159	489.99			
30166	1,037.90			
30295	754.40			
33291	207.16			
41700	199.46			
43229	117.79			
47142	595.00			
48981	0			
54696	250.00			
54743	0			
55014	0			
55301	0			
<b>Total</b>	\$ 3,935.24	\$ 3,363.45	\$ 571.78	\$ <b>1,715.36</b>

The City did not notify ASR on the transition of commercial franchise fees from the County to the City on the earliest effective date of October 1 and no specific City department (Finance/Public Services) assumed responsibility for the issuance of the notice.

Without timely and proper written notice to licensees, the City will not maximize its revenue potential.

**RECOMMENDATION 8**

*The General Services Manager should develop a written procedure in conjunction with the Treasurer to send proper written notification to the licensed haulers about the effective date for the transition of commercial franchise fees as the result of annexation. Commercial franchise fees should be transitioned at the time of annexation to maximize City revenues. This can be readily accomplished since commercial accounts are billed monthly and concerns associated with annual billing and prorated billing periods are avoided.*

## REPORT OF AUDIT NO. 02/03-XX-06

### MANAGEMENT COMMENT

*Management concurred with the finding and recommendation and stated:* ‘We will develop a written procedure with the Treasurer in order to properly notify the licensed haulers about the effective date for the transition of commercial franchise fees as a result of annexation.’ **Estimated completion date August 1, 2003.**

### FINDING 5

*The Certificate of Operation issued to the hauler, at the time of their application, licenses the hauler for three calendar years whereas the license agreement is effective for three fiscal years.*

*This certificate duly licenses the private refuse collector to operate within the corporate limits of Fort Lauderdale from the date of issuance for three calendar years, providing all pertinent City Ordinances, rules and regulations are adhered to, as well as other commitments, as stipulated by contractual agreement.*

The City’s Certificate of Operation issued to All Service Refuse on November 19, 2002 renewed the license from 10/1/02- 9/30/05. The Certificate incorrectly references three calendar years as the term of the certificate; contrary to the expiration date clearly marked on the Certificate as 30 September 2005 (**Exhibit 3**).

City staff was not cognizant of the date/duration discrepancy.

Clear delineation of dates and duration of the license will ensure all parties are aware of the time period/authority to operate in the City.

### RECOMMENDATION 9

*The General Services Manager should revise the Certificate of Operation to reflect the correct term of three fiscal years.*

**REPORT OF AUDIT NO. 02/03-XX-06**

**MANAGEMENT COMMENT**

*Management concurred with the finding and recommendation and stated:*  
“We have revised the Certificate of Operation to reflect the term of three fiscal years.” **This item is closed.**

All Service Refuse

Analysis of Service Address Coding Exceptions - Addresses Coded to Another Municipality

Ref #	Customer Number	Cycle Code	Cash Receipts 10/00-11/02	Remarks
1	21407	C4	\$ 8,080.57	
2	21428	C4	18,895.18	
3	21796	C4	-	
4	21894	C4	-	
5	21895	C4	-	
6	22522	RP	4,200.00	
7	22741	C4	-	
8	23357	C4	-	
9	23479	RP	12,599.50	
10	23579	C4	-	
11	23661	C4	-	
12	25094	C4	2,330.13	
13	25138	C4	1,418.87	
14	25356	C4	1,331.07	
15	26444	RP	12,912.57	
16	26525	C4	-	
17	27684	X1	722.09	
18	28775	CA	-	
19	29014	C4	714.59	
20	30159	C4	4,715.82	
21	30166	C4	11,118.36	
22	30295	C4	10,256.74	
23	33291	C4	3,211.96	
24	33799	CA	-	
25	38780	RP	83,222.10	
26	39855	RP	21,859.02	
27	41700	C4	2,039.31	
28	43229	C4	1,460.80	
29	47020	C2	4,645.31	
30	47142	C4	5,041.45	
31	47218	X1	-	
32	52706	RP	2,475.00	
33	53209	BC	625.00	
34	53210	BC	325.00	
35	53884	C4	437.75	
36	54436	RP	-	
37	80001	W6	-	
<b>Legend:</b>				
BC- Commercial Broward County				
C2- Commercial Advance (Fort Lauderdale)				
C4- Commercial Advance Unincorporated				
CA- Commercial Arrears				
CC- Cancelled Commercial				
RP- Industrial Arrears				
X1- Commercial Recycling S/B Non-Taxable				
W6- National Account Advance Recycle				
RO - Roll Off				
	Non-taxable Construction and Demolition Debris			
	Commercial Recycling Account			

City of Fort Lauderdale - Internal Audit Office  
All Service Refuse

Schedule 1

Analysis of Service Address Coding Exceptions - Addresses Coded to Another Municipality

Ref #	Customer Number	Cycle Code	Cash Receipts 10/00-11/02	Remarks
38	25103	C4	33.97	
39	22532	CC	-	
40	25357	CC	361.92	
41	48359	X1	2,340.05	
42	46647	CC	1,510.16	
43	53528	CC	80.73	
44	24709	X1	581.94	
45	52597	X1	1,779.51	
46	27151	RO	0	
47	48481	RO	1,451.31	
48	54155	RO	179.00	
49	54987	RO	175.00	
50	55301	RO	-	
<b>Total Gross Receipts</b>			<b>223,131.78</b>	
			(5,423.59)	
			(113,926.43)	
<b>Taxable Gross Receipts</b>			<b>103,781.76</b>	
			88,702.36	(1)
			<b>\$ 15,079.40</b>	Additional Franchise Fees Due to the City from ASR
<b>Legend:</b>				
(1)	Cash Receipts include franchise fees; thus amounts reduced to identify gross receipts subject to the calculation (\$103,781.76/1.17).			



City of Fort Lauderdale - Internal Audit Office  
All Service Refuse

Schedule 2

Service Address Coding Exceptions - Addresses not in City Boundaries but Coded to Fort Lauderdale

Ref #	Customer Number	Cycle Code	Cash Receipts 10/00-11/02	Remarks
39	49839	C2	\$ 477.75	
40	51104	CC	197.68	
41	51424	C2	763.72	
42	51488	CC	-	
43	51901	X1	144.30	
44	52667	CC	486.25	
45	52826	C2	246.08	
46	52965	C2	470.11	
47	53166	BC	1,271.55	
48	53167	BC	2,300.91	
49	53174	BC	2,650.00	
50	53184	BC	1,329.60	
51	53563	CC	948.84	
52	23744	RO	-	
53	45151	RO	-	
54	48254	RO	825.00	
55	22258	RO	3,850.73	
56	54690	RO	154.38	
Total Gross Receipts			94,957.89	
			(1,327.85)	
<b>Taxable Gross Receipts</b>			<b>93,630.04</b>	
			<b>80,025.68</b>	(1)
			<b>\$ 13,604.36</b>	Franchise Fee Overpaid to City by ASR
<b>Legend:</b>				
(1)	Cash Receipts include franchise fees; thus amounts reduced to identify gross receipts subject to the calculation (\$93,630.04/1.17).			



**City of Fort Lauderdale - Internal Audit Office**  
**Analysis of Recovered Delinquent Accounts - All Service Refuse**

**Schedule 3**

Ref #	Acct. No	Date Submitted	Gross Recovery	Attorney Fees	Net Recovery	Amount Subject to Franchise Fees	17%	Recovery Date	Included with Cash Receipts	Amount due City
<b>Attorney Referred Accounts</b>										
1	1-24384	12/12/00	\$ 264.53	\$ 79.36	\$ 185.17	\$ 185.17	\$ 31.48	02/15/01	0	\$ 31.48
2	1-37714	09/17/99	400.00	120.00	280.00	280.00	47.60	04/03/01	0	47.60
3	1-24985	not available	141.43	42.43	99.00	99.00	16.83	12/21/00	0	16.83
4	1-25442	10/05/00	600.00	50.00	550.00	550.00	93.50	11/20/00	0	93.50
5	1-25527	07/14/99	1,900.00	570.00	1,330.00	1,330.00	226.10	05/22/01	0	226.10
<b>Accounts Referred to Transworld Systems, Inc - Collection Agency</b>										
6	1-45261	12/15/00	270.00	20.00	250.00	250.00	42.50	01/19/01	0	42.50
7	46909-0	04/25/01	273.31	-	273.31	273.31	46.46	06/11/01	0	46.46
8	45622-1	11/01/00	859.39	20.00	839.39	839.39	142.70	12/13/00	0	142.70
9	31942-7	03/12/01	263.67	-	263.67	263.67	44.82	03/12/01	0	44.82
10	25251-0	11/16/00	602.72	-	602.72	602.72	102.46	12/04/00	0	102.46
<b>Totals</b>			<b>\$ 5,575.05</b>	<b>\$ 901.79</b>	<b>\$ 4,673.26</b>	<b>\$ 4,673.26</b>	<b>\$ 794.45</b>		<b>-</b>	<b>\$ 794.45</b>

## All Service Refuse (ASR)

## Exhibit 1

**Definitions:** per S 403.703 FS definitions

**“Source Separated”** means the recovered materials are separated from solid waste *where the recovered materials and solid waste are generated*. The term does not require that various types of recovered materials be separated from each other and recognizes de minimis solid waste, in accordance with industry standards and practices may be included with recovered materials. *Materials are not considered source separated when two or more are deposited in combination with each other in a commercial collection container located where materials are generated and such materials contain more than 10% solid waste by volume or weight*. For purposes of this subsection, the term “various types of *recovered materials*” means *metal, paper, glass, plastic, textiles and rubber*.

**“Recovered Materials”** means *metal, paper, glass, plastic, textile, or rubber materials* that have known recycling potential, can be feasibly recycled and have been diverted and *source separated* or have been removed from the solid waste stream for sale, use or reuse as raw materials, whether or not the materials require subsequent processing or separation from each other, but does not include materials destined for any use that constitutes disposal. Recovered materials described above are not solid waste.

**“Yard Trash”** means vegetative matter resulting from landscaping maintenance and land clearing operations.

**“Construction and demolition debris”** means discarded materials generally considered to be not water-soluble and nonhazardous nature, including, but not limited to, steel, glass, brick, concrete, asphalt roofing material, pipe, gypsum wallboard, and lumber, from the construction or destruction of a structure as part of a construction or demolition project or from the renovation of a structure, and including rocks, soils, tree remains, trees, and other vegetative matter that normally results from land clearing or land development operations for a construction project, including such debris from construction of structures at a site remote from the construction or demolition project site. Mixing of construction debris with other types of solid waste will cause it to be classified as other construction and demolition debris. The term also includes:

- (a) Clean cardboard, paper, plastic, wood, and metal scraps from a construction project;

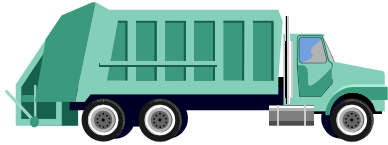
## **All Service Refuse (ASR)**

## **Exhibit 1**

- (b) Except as provided in s.403.707(12)j, unpainted, nontreated wood scraps from facilities manufacturing materials used for construction of structures or their components and unpainted, nontreated wood pallets provided the wood scraps and pallets are separated from other solid waste where generated and the generator of such wood scraps or pallets implements reasonable practices of the of the generating industry to minimize the commingling of wood scraps or pallets with other solid waste; and
- (c) De minimis amounts of other nonhazardous wastes that are generated at construction or destruction projects, provided such amounts are consistent with best management practices of the industry.

# All Service Refuse (ASR)

# Exhibit 2



Envirocycle breaks out materials into marketable/non-marketable components

(See C&D Flow Analysis)

ASR delivers “recyclable” materials to Envirocycle

ASR Definition of Recyclables includes all of these components

Material w/Market Potential  
(26%)  
Concrete, Wood, Lumber, etc  
excluding “Recovered Materials”

Solid Waste  
(No Market Potential)  
(51%)  
Trash, Food Waste, etc.

Source Separated Recovered  
Material (23%)  
Rubber, Paper, Plastics, etc.

**Florida Statute Definition of Recyclables**

Internal Audit believes these materials are not recyclables and s/b included in the franchise fee base.

# City of Fort Lauderdale



*Venice of America*

**PUBLIC SERVICES DEPARTMENT ♦ SANITATION DIVISION**

## ***Certificate of Operation***

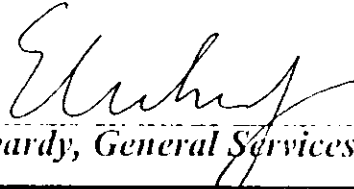
*This is to certify that the private refuse collector named below, having met all the requirements prescribed by the City of Fort Lauderdale Code of Ordinances, Chapter 20, Section 20-7 through 20-717, inclusive; and having executed a contract with the City of Fort Lauderdale attesting to same, is hereby granted a Certificate of Operation.*

*This certificate duly licenses the private refuse collector to operate within the corporate limits of Fort Lauderdale from the date of issuance for three calendar years, providing all pertinent City Ordinances, rules and regulations are adhered to, as well as other commitments, as stipulated by contractual agreement.*

*Republic Services of Florida LP d/b/a All Service Refuse  
751 NW 31 Avenue  
Fort Lauderdale, FL 33311*

790005  
*License Number*

30 September 2005  
*Expiration Date*

  
*Ed Udvardy, General Services Manager*