



Smart decisions. Lasting value.™

CITY OF CORAL GABLES, FLORIDA

**Internal Audit of Roll-offs Franchise Fees
June 2026**



TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY	
Overview	3
Summary of Results	3
 INTRODUCTION	
Background	4
Objective and Scope	5
Risk Management	6
 PROCEDURES PERFORMED	7
 OBSERVATIONS AND RECOMMENDATIONS	8-10

EXECUTIVE SUMMARY

Overview

Crowe LLP (“Crowe” or “we”) performed internal audit procedures related to the City of Coral Gables’ (the “City”) roll-off franchise fees. The objective of the audit was to review and document policies related to the City’s roll-off franchise fees and test accuracy of fees received by the City.

Summary of Results

The following is a summary of our observations as a result of our procedures. We listed the opportunities for improvement and corresponding risk rating below.

Process	Observation #	Opportunity for Improvement	Risk Rating**
Agreements	1	The City should maintain up to date agreements with all franchisees.	High Risk
Policies and Procedures	2	The City should have formal policies and procedures to oversee the collection of franchise fees.	High Risk
Fee Collection	3	The City should monitor compliance with fee due dates and charge interest as applicable.	Moderate Risk
Fee Collection	4	The City should check that franchise fees received are for the correct amount that they are owed.	Moderate Risk
Invoicing	5	The City should be requesting payment by the due date per the agreement.	Low Risk

**For explanation of *Risk Rating* determination, refer to page 6.

INTRODUCTION

Finance Background

The City of Coral Gables' Finance Department safeguards the fiscal integrity of the city, reports accurate and timely financial information to the City Commission, the City Manager and the public, and provides financial management and record-keeping support to all the city departments to enable them to carry out their duties efficiently.

In 1998, the City Commission adopted Ordinance No. 3339, which authorized the City to award roll-off waste franchises to contractors. Roll-off waste services refer to a waste removal service involving large open top containers, commonly used for construction sites, or other commercial and industrial areas. The City has entered into agreements with various contractors for this service. The contractors agree to perform roll-off waste contracting services in accordance with the City's ordinances.

INTRODUCTION

Objective and Scope

The objective of the procedures performed was to evaluate and test the design and effectiveness of selected internal controls and processes implemented. In summary, this internal audit evaluated the following:

- Determine if the franchise fee payments to the City are correct.
- Determine if the City's policies and procedures are being properly followed.
- Determine areas where improvements can be made in the process.

The detailed procedures performed can be found starting on page 7 of the report.

Although our testing was performed in some areas without exception, we can provide no assurance that exceptions would have been detected had procedures been changed or expanded.

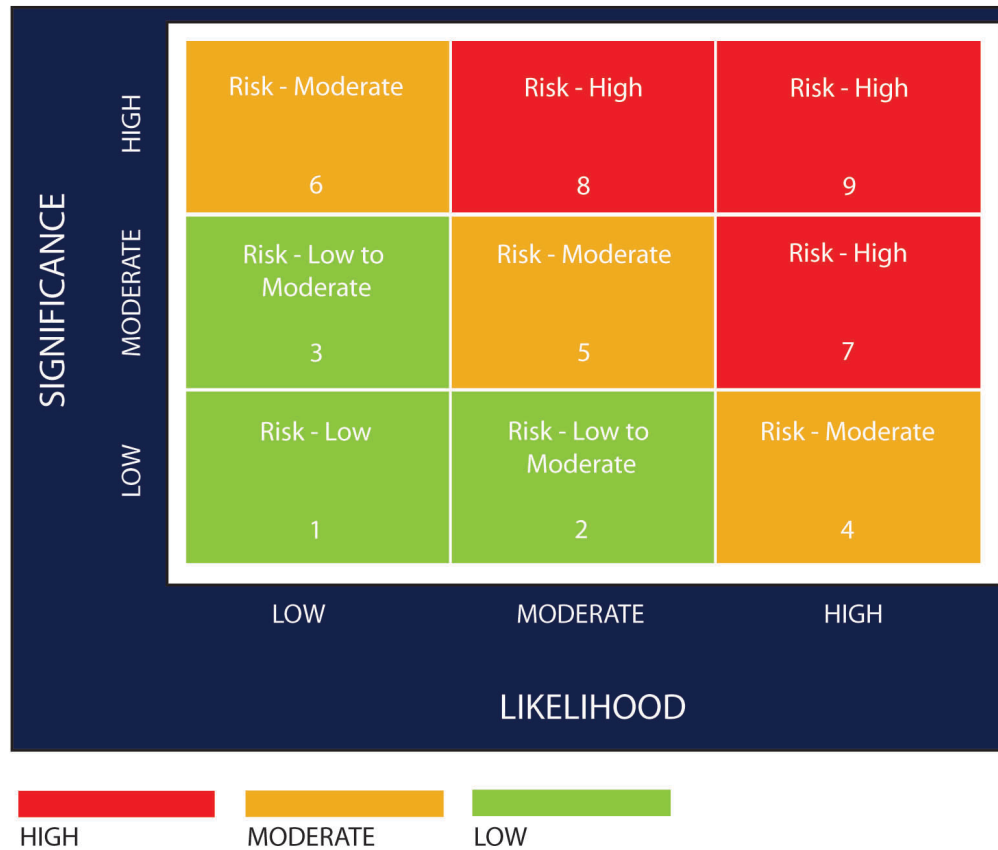
It should also be recognized that internal controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions. There are inherent limitations that should be recognized considering the potential effectiveness of any system of internal controls. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes on judgment, carelessness, and other factors.

Internal control procedures can be circumvented intentionally by management with respect to the execution and recording of transactions, or with respect to the estimates and judgments requirement in processing of data. Controls may become ineffective due to newly identified business or technology exposures. Further, the projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with procedures may deteriorate.

INTRODUCTION

Risk Management

Risks are evaluated based on its “significance” to management’s strategy and its “likelihood” to occur. This will result in a risk profile of the highest risks to the organization as presented below:



Procedures Performed

PROCEDURES PERFORMED	RESULTS
<p>1) Obtain and read the existing agreements to gain an understanding of the franchise fee structure and calculation.</p>	<p>Crowe obtained the agreements between the City and the Contractors and through review of these documents as well as interviews with the City, gained an understanding of the franchise fee structure and calculation.</p> <p>Crowe noted outdated or missing agreements.</p> <p>Refer to opportunity for improvement 1.</p>
<p>2) Obtain and document policies and procedures related to the roll-off franchise fees.</p>	<p>Crowe requested the City’s latest standard operating procedures (SOPs) to gain an understanding of the policies and procedures in place related to the roll-off franchise fees.</p> <p>Crowe noted no formal written SOPs related to the franchise fees.</p> <p>Refer to opportunity for improvement 2.</p>
<p>3) For roll-off franchise fees received by the City, select 35 payments between the period January 1, 2024 through December 31, 2024 and obtained the monthly report of gross receipts from the contractor and recalculate the franchise fee owed to the City.</p>	<p>Crowe selected 35 total payments and recalculated the franchise fee payments to determine if the amount paid to the City was correct.</p> <p>Crowe noted an instance of the incorrect amount being paid to the City.</p> <p>Refer to opportunity for improvement 3.</p> <p>Crowe noted payments due to the City were made late.</p> <p>Refer to opportunity for improvement 4.</p> <p>Crowe noted due dates on the City’s invoices were not aligned with the established due dates per the agreements.</p> <p>Refer to opportunity for improvement 5.</p>

Observations and Recommendations

1. OPPORTUNITY FOR IMPROVEMENT – Missing and Outdated Agreements: High Risk

The City has entered into agreements with ten (10) contractors to provide roll-off waste services that terminate at the end of one year with an option for the City to renew for four (4) additional one (1) year terms. Upon mutual agreement, the parties shall execute an amendment to the agreement. As part of our procedures, Crowe requested the latest agreement with each contractor and noted the following:

- Two agreements could not be provided.
- Seven of the eight agreements provided do not have proof of an amendment to extend the franchise for each additional one (1) year term.
- Five of the eight agreements provided are past the five year term.

Recommendation: We recommend that the City ensure an agreement is signed and maintained for all contractors providing roll-off waste services to the City. Further, we recommend that each annual extension is documented by an amendment to the agreement and agreements that have gone beyond the initial terms of the agreement are documented with a new agreement. Agreements will help to protect the City in resolving disputes, preventing misunderstandings in the services provided, or enforcing payment terms.

Management Response/Action Plan:

The City will work with the existing vendors to obtain current agreements. The City will improve tracking of expiring contracts by centralizing documents and adding renewal reminders. Additionally, the City will consider an ordinance modification to streamline the administration of agreements.

2. OPPORTUNITY FOR IMPROVEMENT – No Formal Written Policies and Procedures: High Risk

During our inquiries of City employees, we noted that the City currently has no formal written Standard Operating Procedures (SOPs) for collecting of franchise fees from the franchisees.

Recommendation: We recommend that the City establish formal written SOPs for the collection of franchise fees. Implementing clearly defined SOPs will ensure that employees responsible for overseeing this process have standardized guidance, thereby reducing confusion, improving consistency, and minimizing disruptions during staff turnover or role transitions.

Management Response/Action Plan:

The City maintains an informal policy. The City will formally document the current process and create a written SOP that outlines the review process, roles, timelines, and required documents. Additionally, the City will train staff and make the SOP easily accessible.

Observations and Recommendations

3. OPPORTUNITY FOR IMPROVEMENT – No Interest Charged on Late Payments: Moderate Risk

According to the franchise agreement, monthly franchise fees owed to the City must be paid by the 25th day of each month, based on gross receipts collected from the previous month. Late payments incur interest at a rate of 1.5% per month on the unpaid or underpaid amount. During testing, we identified that 13 of the 35 payments reviewed were late, ranging from 1 to 305 days overdue. However, the City did not assess interest charges on these late payments, resulting in missed revenue opportunities totaling approximately \$483.44.

Recommendation: We recommend that the City consistently enforce interest charges on late payments, as specified by the agreement. Charging interest will incentivize timely payments from franchisees and assist the City in maintaining consistent monthly cash flow.

Management Response/Action Plan:

The process for adding late fees to an existing invoice is cumbersome in the City's Enterprise Billing System INFOR, and therefore, has not been previously considered. Management is working with the system provider to find a more streamlined way to charge interest to late payments. In the meantime, City staff will review the process of how payments are tracked and identify gaps in monthly follow-up, strengthening our monitoring process. Additionally, staff will communicate expectations with franchisees regarding due dates.

4. OPPORTUNITY FOR IMPROVEMENT – Incorrect Payment: Moderate Risk

In accordance with the franchise agreement, the franchisee is required to pay franchise fees equivalent to the greater of a flat annual fee of \$3,250 or twenty-two percent (22%) of the roll-off waste Contractors' gross receipts for all customers serviced within the City. The franchisee must also submit a detailed monthly report to the City, listing customer names, service addresses, account numbers, and amounts collected from each customer.

During testing, we identified that 1 of the 35 payments was incorrect, resulting in an underpayment of fees owed to the City of \$203. Both the City and the franchisee are aware of the discrepancy. However, as of the date of this report, the remaining fee has not been paid yet.

Recommendation: We recommend that the City implement a monthly review process to reconcile the franchisee's submitted gross receipts reports against payments received. Regular reconciliation will help ensure accurate fee collection and allow timely identification and correction of discrepancies.

Observations and Recommendations

Management Response/Action Plan:

The City will develop a reconciliation plan to ensure reports from franchisees are received and reconciled against payments made; this will allow us to address discrepancies immediately. Additionally, the City will follow up and collect the outstanding \$203 underpayment.

5. OPPORTUNITY FOR IMPROVEMENT – Inconsistent Invoice Due Dates: Low Risk

Per the franchise agreement, monthly franchise fees must be paid to the City by the 25th day of each month, based on gross receipts collected during the previous month.

During our testing, we observed that invoices sent by the City to franchisees contained inconsistent due dates, ranging from the 22nd to the 30th of the month. These discrepancies create a risk of disputes regarding payment timing and related late-payment interest charges.

Recommendation: We recommend that the City ensure the invoice due dates consistently aligns with the terms specified in the franchise agreements. Aligning invoice due dates with the agreements will help reduce potential disputes and confusion related to late payment assessments and interest charges.

Management Response/Action Plan:

The City has begun processing invoices with the required due date of the 25th of the month. This was an oversight that has been corrected.