



**Council Auditor's Office**

**Follow-Up on Nonresidential Solid Waste Franchise Fees Audit**

**Report #793C**

**Released on:** January 16, 2025

**OFFICE OF THE COUNCIL AUDITOR**  
 Suite 200, St. James Building



January 16, 2025

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Honorable Members of the City Council  
 City of Jacksonville

The purpose of this report is to document our third follow-up review of our past report #793, Nonresidential Solid Waste Franchise Fees Audit, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. The initial audit report and follow-ups can be found on our website.

We sent a follow-up letter to the Deputy Chief Administrator on April 2, 2024, inquiring as to the status of the original audit report recommendations after the second follow-up. We reviewed the recommendations from our audit report and previous follow-up reports, the auditees’ responses to the recommendations, and the auditees’ responses to our follow-up letter. We then performed limited testing to verify the responses to the follow-up letter.

Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

Types of Issues	Original Number of Issues	Issues Cleared Prior to This Follow-up	Remaining Issues Prior to This Follow-up	Issues Cleared During This Follow-up	Remaining Issues
Internal Control Weaknesses	2	2	0	0	0
Findings	8	6	2	0	2
Opportunities for Improvement	4	4	0	0	0
<b>Total</b>	<b>14</b>	<b>12</b>	<b>2</b>	<b>0</b>	<b>2</b>

The following is a brief summary of the remaining issues with responses from the Public Works Department that we received on December 31, 2024.

**Finding 1 \*Understated Franchise Fees Submitted to City\***

In the original audit, we found some franchisees inaccurately calculated franchise fees owed to the City due to those companies excluding various fees from gross receipts. We recommended the Solid Waste

Division work with the Office of the General Counsel, the Administration, and the City Council (as needed) to address the underpayments from past years. Additionally, we recommended the Solid Waste Division obtain an official signed confirmation from each franchisee annually that certain fees are not being excluded from the calculation of gross receipts.

During the first follow-up review, we found issues with the exclusion of various fees from the calculation of gross receipts and recommended that the Solid Waste Division start conducting periodic testing to confirm that franchise fees are calculated accurately.

During the second follow-up review, we found issues with the periodic testing instituted by the Solid Waste Division. We found invoices that excluded various fees from the calculation of gross receipts and had franchise fees listed multiple times instead of the one time it is supposed to be listed.

During this third follow-up review, we found the following issues with the standard operating procedures related to the annual invoice review that is performed by Solid Waste:

1. Standard operating procedures did not include anything on the questionnaire that is to be sent to the haulers asking them to confirm that they do not exclude any fees from their franchise fee calculation.
2. Standard operating procedures did not align with actual practice with regards to who to send the results to since the manual states to send the results to the hauler's auditor but the practice is to send the results to the hauler.
3. Standard operating procedures did not include follow-up actions to be performed after the annual review is completed if there are issues found.

Additionally, we found that the most recent periodic testing that was performed by the Solid Waste Division was not completed properly and was not sufficient to confirm that franchise fees were being accurately submitted to the City. Issues identified included:

1. The review took a year to complete,
2. Companies that stated they excluded fees from the franchise fee calculation were not contacted to explain the issue,
3. The issues found by the review were not properly communicated to the companies and were not followed up on to ensure compliance,
4. The review did not identify all issues as our reperformance of the review identified invoices that excluded various fees from the calculation of gross receipts.

We recommend that the Solid Waste Division improve the periodic testing to ensure that the issues noted are addressed. If the franchise haulers are not made aware of issues, the haulers might reasonably assume that there is not an issue with what they are doing.

***Public Works Department Response to the Follow-Up of Finding 1***

Agree

Disagree

Partially Agree

*The Solid Waste Division (SWD) has had an issue with finding the appropriate personnel with the proper skills to perform this task. SWD hired an accountant who has now been tasked with this duty. Going forward, we are confident the periodic testing process will be performed more accurately and on a more timely basis.*

**Finding 4 \*Issues with Insurance, Bonds, and Annual Reports\***

During the original audit, we found various issues related to insurance certificate documentation, payment bond documentation, and the annual reports from the franchisees. We recommended the Solid Waste Division:

1. establish internal controls to improve compliance with the Municipal Code regarding insurance, payment bond, and reporting requirements,
2. seek to change the Municipal Code requirements to address the timeliness issue for submission of the annual reports,
3. train its staff to always date stamp annual reports, and
4. work with the Risk Management Division to update the Municipal Code’s insurance requirements so the City is adequately protected.

During the first and second follow-up review, we still found issues with insurance certificates, payment bonds, and the annual reports.

During this third follow-up review, we found that all of the issues had been addressed except for the payment bond amounts. We found an issue with the payment bond amounts for two companies. Municipal Code Section 380.608(f) states that, “the franchisee shall furnish the City Department, on an annual basis, a payment bond in an amount equal to the greater of either \$25,000 or the estimated franchise fee for one month’s operations under the franchise...”. The bond amounts were not large enough to meet the Municipal Code requirements based on the franchise fees paid over the most recent 12 months or the most recent annual financial audit of each hauler.

We recommend the Solid Waste Division ensure proper procedures are in place to notify the haulers of these issues so that they can be corrected.

***Public Works Department Response to the Follow-Up of Finding 4***

Agree                       Disagree                       Partially Agree

*SWD has had personnel turnover and some processes and procedures were not followed by new staff as they should have been. The procedures have been provided to staff and management will continue to stress the importance of training new staff. The bond amounts for the two companies have been updated as per the Code.*

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We would like to thank the Solid Waste Division for their cooperation in conducting this follow-up review.

Respectfully submitted,

*Kim Taylor*

Kim Taylor, CPA  
Council Auditor