



**CONTAINER RENTAL COMPANY, INC.
FRANCHISE REVENUE AUDIT**

OFFICE OF THE COUNTY AUDITOR

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Audit Conducted by:

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Auditor II

Report No. 2021-102

December 20, 2021

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Osceola County Clerk of Circuit Courts & County Comptroller

Office of the County Auditor

2 Courthouse Square
Kissimmee, FL 34741

December 20, 2021

Board of County Commissioners,

We conducted an audit of the franchisee Container Rental Company, Inc. to determine if the franchisee is in compliance with Osceola County Code of Ordinances and the franchise agreement. The scope of our audit was from January 1, 2016 through June 30, 2021.

The audit objectives were to determine whether:

- Customer accounts within the Osceola County jurisdiction were properly coded to identify revenue due to the County;
- Proper Osceola County related franchise activity was adequately reported to the County; and
- Franchise fee payments owed to Osceola County were computed and remitted properly and in a timely manner.

Overall, very minor and immaterial exceptions were found during the audit and are included with opportunities for improvement in this report. We appreciate the cooperation and assistance provided by Container Rental Company, Inc. staff, and the Osceola County Public Works Department, Solid Waste, and Planning and Design GIS offices and staff during the audit.

We hope this report is useful to ensure Osceola County government continues to provide the best and most transparent services to the citizens and stakeholders of Osceola County.

Respectfully submitted,

Christopher Polke, CGAP

Chief Audit & Compliance Officer

cc: Kelvin Soto, Esq, Clerk of the Circuit Court & County Comptroller
Don Fisher, County Manager
Beth Knight, Deputy County Manager
Danielle Slaterpryce, Public Works Director
Danny Sheaffer, Solid Waste/Recycle Manager

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AUDIT REPORT SNAPSHOT

PURPOSE

The purpose of the audit was to determine if the franchise fees remitted by Container Rental Company, Inc. to Osceola County were accurate, complete, and in compliance with the requirements of Osceola County Code of Ordinances section 19-23.

SCOPE

The scope of this audit included a review of records from January 1, 2016 through June 30, 2021. During that timeframe, Osceola County received franchise fees totaling over \$676,564 from Container Rental Company, Inc.

OPPORTUNITIES FOR IMPROVEMENT

Opportunity #1 Container Rental Company, Inc. franchise fees of fifteen percent (15%) of gross revenue were understated by \$186.05 for solid waste removal services in Osceola County during the audit period. This was due to one customer account being categorized in the City of Kissimmee (\$155.97), another customer whose recycling was contaminated (\$19.50), and differences between the franchise fees paid and the franchise fees calculated (\$10.58) over the audit period. Late fees were not applied since these events occurred prior to January 29, 2021, when the Osceola County Code of Ordinances section 19-9 Administrative Fines took effect. We recommend that Container Rental Company, Inc. remit payment of \$186.05 to Osceola County Solid Waste office.

EXECUTIVE REPORT

BACKGROUND

Osceola County, founded in 1887, is a 1,500+ square mile county in the South boundary of Central Florida. Osceola County has a population of over 388,000 and has two incorporated cities: Kissimmee and St. Cloud. The Osceola County's Public Works Department consists of the following County offices: Asset Management, Construction Engineering, Fleet Management, Road and Bridge, Solid Waste, and Stormwater/Natural Resources. Public Work's Solid Waste office provides Osceola County's citizens and customers with an integrated, cost-effective solid waste management system that follows the guidelines of local, state, and federal rules and regulations. Services available to the Osceola County community include Curbside Collection, Recycle Drop-Offs, Yard Waste Disposal Site, Hazardous Waste Program, and Solid Waste Franchise.

The Osceola County Code of Ordinances allows a company to enter into a commercial franchise agreement with Osceola County to provide services such as the collection of commercial waste, residential waste, and recycling in the County jurisdiction. Each commercial franchise holder must comply with the requirements outlined in the Osceola County Code of Ordinances, in particular Section 19-23, regarding commercial franchise agreements. The Osceola County Code of Ordinances permits Osceola County to collect a fifteen percent (15%) fee on the gross revenue obtained by the commercial franchisee.

The Office of the County Auditor conducted a Franchise Revenue Audit for Container Rental Company, Inc. to determine if the franchise fees remitted by Container Rental Company, Inc. to Osceola County were accurate, complete, and in compliance with the requirements outlined in the Osceola County Code of Ordinances.

Container Rental Company, Inc. is a solid waste disposal service provider in Central Florida. They are a family-owned and operated business with a customer base ranging from small, privately-owned businesses to multinational corporations. Their sister company, Orlando Waste Paper, provides recycling services.

SCOPE AND OBJECTIVES

The franchise revenue audit scope included a review of Container Rental Company, Inc. records for the audit period from January 1, 2016 through June 30, 2021. During this audit period, Osceola County received over \$676,564 in franchise fees from Container Rental Company, Inc. The audit objectives were to ensure:

1. Customer accounts within the Osceola County jurisdiction were properly coded to identify revenue due to the County;
2. Proper Osceola County related franchise activity was adequately reported to the County; and
3. Franchise fee payments owed to Osceola County were computed and remitted properly and in a timely manner.

OVERALL CONCLUSION

Container Rental Company, Inc. did a good job in properly coding their customers to the Osceola County jurisdiction, reporting solid waste removal services, and remitting payment in a timely manner.

Container Rental Company, Inc. only misidentified one account, out of 670 customers, in unincorporated Osceola County. That customer, who had five pulls in 2019, was labeled as being in the City of Kissimmee jurisdiction. Those pulls resulted in gross receipts of \$1,039.80 with associated franchise fees of \$155.97 owed to Osceola County.

Also, we discovered an account that had not been consistently reported. Originally, the account was for recycling service. Later, some solid waste activity occurred. Of the three pulls in 2018, Container Rental Company, Inc. erroneously paid a franchise fee for one clean concrete recycling load but did not pay a franchise fee for another load which was contaminated and not able to be recycled, resulting in a net of \$19.50 franchise fees owed to Osceola County.

There were differences between the franchise fees that we recalculated, and the franchise fees paid by Container Rental Company, Inc., over the quarters we tested. In Q3 2016, the franchisee underpaid Osceola County by \$12.84. In Q2 2019, the franchisee overpaid Osceola County by \$9,460.68. The franchisee's independent CPA reports, required annually by Osceola County Code of Ordinances, identified both instances. Container Rental Company, Inc. corrected their overpayment by crediting the franchise fee due to Osceola County in Q1 2020. The underpayment was never corrected. Over the scope of the audit, there were other overpayments that totaled \$2.26, resulting in a net of \$10.58 franchise fees owed to Osceola County.

The total amount of franchise fees due to Osceola County for the audit period tested is \$186.05. Late fees were not applied since these events occurred prior to January 29, 2021, when the Osceola County Code of Ordinances section 19-9 Administrative Fines took effect.

METHODOLOGY

We conducted our audit using customer data obtained from Container Rental Company, Inc. We then sent the data to the Planning and Design Office to conduct a Geographic Information System (GIS) review of the county jurisdiction using the franchisee customer addresses. We compared the GIS results against Container Rental Company, Inc. reporting to ensure all customers identified by GIS as being in the Osceola County jurisdiction were properly reported to the Solid Waste office via Container Rental Company, Inc. quarterly reports. Any exceptions found were documented and discussed with the Solid Waste office and franchisee staffs.

Using random sampling, we tested Container Rental Company, Inc. quarterly reports submitted to the Solid Waste office for the audit period. The quarterly reports sampled were compared to Container Rental Company, Inc. billing records. In addition, we requested a random sample of customer invoices to ensure proper roll-up to billing and recalculated Container Rental Company, Inc. franchise fees to verify the accuracy of their reports submitted to the Solid Waste office. Any differences discovered were identified as an exception and documented in the audit work papers.

OPPORTUNITY FOR IMPROVEMENT

1 Container Rental Company, Inc. franchise fees of fifteen percent (15%) of gross revenue were understated by \$186.05 for solid waste removal services in Osceola County during the audit period. This was due to one customer account being categorized in the City of Kissimmee (\$155.97), another customer whose recycling was contaminated (\$19.50), and differences between the franchise fees paid and the franchise fees calculated (\$10.58), over the audit period. Late fees were not applied since these events occurred prior to January 29, 2021, when the Osceola County Code of Ordinances section 19-9 Administrative Fines took effect. We recommend that Container Rental Company, Inc. remit payment of \$186.05 to Osceola County Solid Waste office.

Management Response: We have reviewed and concur with the audit results and amount owed to Osceola County.

Target Completion Date: 12/20/2021