

# Memorandum



**Date:** September 6, 2007

**To:** Nan Markowitz, Executive Director  
Office of the Citizens' Independent Transportation Trust

**From:** *Cathy Jackson*  
Cathy Jackson, Director  
Audit and Management Services Department

**Subject:** Audit Report – Charter County Transit System Surtax Review – Town of Surfside

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## PURPOSE AND SCOPE

As requested, we reviewed the Town of Surfside's use of Charter County Transit System Surtax (Transit Surtax) proceeds remitted by Miami-Dade County (County), for the period January 1, 2003 through September 30, 2006, to verify compliance with the Interlocal Agreement. Our tests included, but were not limited to, testing expenditures for propriety and assessing internal controls over recordkeeping and financial reporting.

## BACKGROUND

The oceanfront Town of Surfside (Surfside) is situated along the Atlantic Ocean and Biscayne Bay, in Miami-Dade County between the City of Miami Beach on the south and Bal Harbour Village on the north. Surfside is governed by an elected Mayor and four Commission Members. The Town Manager, as appointed by the Town Commission, is responsible for day-to-day oversight and administration. During the four-year period ended September 30, 2006, the County, through the Office of the Citizens' Independent Transportation Trust (OCITT), remitted \$584,826 in Transit Surtax proceeds for Surfside (Schedule I) to expend on qualifying transportation-related projects.

Pursuant to Section 212.055(1), Florida Statutes (2001), Miami-Dade County Ordinance (Ordinance) No. 02-116, enacted on July 9, 2002, imposed a one-half of one percent Transit Surtax on eligible sales transactions for transportation-related projects. Of the proceeds received by the County, 20% must be distributed to municipalities incorporated as of November 5, 2002 on a pro rata basis using population statistics. However, cities receiving Transit Surtax proceeds must continue the same level of General Fund support for transportation projects that was appropriated in their Fiscal Year (FY) 2002 Budget. Proceeds may be used to develop, construct, equip, maintain, operate, or expand:

- County-wide bus systems,
- Fixed guide-way rapid transit systems, and
- Roads and bridges in the County.

Surtax proceeds may also be used to secure bonds or pay debt service for such systems:

Further, cities are required to apply at least 20% of the proceeds to transit-related projects such as circulator buses, bus shelters, bus pullout bays, or other related infrastructure. If unable to do so,

cities may apply such proceeds to a County project that enhances traffic mobility within their municipal boundaries, or funds shall be redistributed among other cities in the ensuing year for similar purposes.

Under the terms of the July 3, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), Surfside reported \$63,146 as its budgeted FY2002 General Fund transportation support level, or Maintenance of Effort (MOE). Of the \$584,826 in Transit Surtax proceeds, Surfside reported spending \$2.4 million on eligible projects that included street paving, traffic calming devices, street lighting, sweeping and maintenance, as well as circulator bus operations (Table I and Schedule II). Surtax proceeds were recorded in the year of receipt, which differed from the dates reflected in OCITT records. According to OCITT, the State of Florida forwards monthly remittances 90 days after the date of collection, causing timing differences.

**Table I**  
**Surtax Proceeds and Expenditures Claimed**  
**For the Four Fiscal Years Ended September 30, 2006**

Description	Fiscal Year Ended				Total
	9/30/03	9/30/04	9/30/05	9/30/06	
<b>Surtax Proceeds</b>					
Remittances per OCITT	\$ 95,908	\$ 146,959	\$ 157,799	\$ 184,160	\$ 584,826
Timing differences	(46,450)	8,317	(2,778)	14,006	(26,905)
Remittances per Surfside	<u>\$ 49,458</u>	<u>\$ 155,276</u>	<u>\$ 155,021</u>	<u>\$ 198,166</u>	<u>\$ 557,921</u>
<b>Expenditures Claimed</b>					
General Fund	\$ 127,292	\$ 76,577	\$ 71,541	\$ 1,631,730	\$ 1,907,140
Transportation Surtax Fund	-	84,812	31,142	147,058	263,012
Special Projects Fund	29,897	134,124	-	-	164,021
Stormwater Fund	9,570	11,310	10,440	1,740	33,060
	<u>\$ 166,759</u>	<u>\$ 306,823</u>	<u>\$ 113,123</u>	<u>\$ 1,780,528</u>	<u>\$ 2,367,233</u>

Source: OCITT Schedule of Payments to Municipalities and Surfside General Ledger

**SUMMARY RESULTS**

Surfside reported its Fiscal Year 2002 MOE as \$63,146 however, documents supporting that amount could not be located. Town staff had no explanation other than citing employee turnover in the Town Manager and Finance Director positions. Nonetheless, a review of the FY2002 Budget clearly reflects at least \$190,183 in General Fund transportation support or MOE. Presuming the \$190,183 MOE is accurate, we reviewed the propriety of the \$2.4 million claimed as qualifying transportation expenditures. Based on the analysis, we questioned 64%, or \$359,755, because records supporting claimed expenditures are missing or actual amounts spent were less than the MOE (Schedule III).

If Town officials are unable to resolve the questioned costs, Surtax proceeds should be recaptured and prospectively, remittances withheld until Town officials certify the MOE and submit required accounting reports. It is also recommended that OCITT redesign its Financial Recap Form to include data highlighting the application of the 20% minimum amount that must be spent on transit-related

projects. Further, instructions for completing this form should be clarified to enhance preparation accuracy and completeness.

These and other findings are more fully discussed in the remainder of this report. We appreciate the courtesies and assistance extended to our staff during the audit process. A written response is requested within 30 days, in accordance with Administrative Order 3-7. Please contact Gerardo Suarez, Audit Supervisor, at 305-349-6100 if you have any questions.

**FINDINGS AND RECOMMENDATIONS**

**General Fund Support**

Although requested, Surfside was unable to furnish documentation supporting the \$63,146 reported to the OCITT as the FY2002 MOE for qualifying transportation-related projects. Town staff cite employee turnover in the Town Manager and Finance Manager positions as the reason why this data was unavailable. Since municipalities are required to apply surtax proceeds to supplement, rather than replace, their General Fund support for transportation projects appropriated in their FY2002 Budget, the propriety of all future uses of Transit Surtax proceeds are affected by the accuracy of the MOE.

Nonetheless, a review of the Town's FY2002 Adopted Budget clearly indicates \$190,183 was appropriated for street paving, lighting and maintenance, traffic calming devices, and circulator bus operations, suggesting the \$63,146 previously reported to the OCITT was understated by \$127,037 (Table II).

**Table II**  
**Summary MOE Appropriations**  
**For the Fiscal Year Ended September 30, 2002**

Public Works	MOE Budget	Actual
Street Paving	\$ 100,000	\$ 5,894
Street Lighting	30,000	27,355
Traffic Calming Devices	25,000	12,029
Mini-Bus Driver	18,183	18,095
Street Maintenance	10,000	-
Mini-Bus Expense	7,000	1,707
	<u>\$ 190,183</u>	<u>\$ 65,080</u>

Source: Surfside FY2002 Budget and General Ledger

**Recommendation**

Resolve the difference with Town officials and require Surfside to certify the MOE within 90 days or withhold future disbursements.

**Use of Surtax Proceeds**

According to Town officials, qualifying Transportation and/or Transit-related Surtax expenditures totaled \$2.4 million, as shown in Table III and Schedule II.

**Table III  
Surtax Expenditures by Project**

Description	Fiscal Year				Total
	9/30/2003	9/30/2004	9/30/2005	9/30/2006	
<b>Transportation Projects</b>					
Street Paving	\$ 11,995	\$ 3,413	\$ -	\$ 1,685,899	\$ 1,701,307
Traffic Calming	91,404	173,150	27,724	-	292,278
Street Lights	31,034	32,581	33,761	36,032	133,408
Street Sweeping	9,570	11,310	10,440	1,740	33,060
Street Maintenance	-	-	10,056	9,799	19,855
	<u>144,003</u>	<u>220,454</u>	<u>81,981</u>	<u>1,733,470</u>	<u>2,179,908</u>
<b>Transit Projects</b>					
Bus Circulator Operator	18,845	25,898	30,585	11,635	86,963
Bus Acquisition	-	58,914	-	-	58,914
Bus Shuttle Service	-	-	-	35,423	35,423
Bus Maintenance	3,911	1,557	557	-	6,025
	<u>22,756</u>	<u>86,369</u>	<u>31,142</u>	<u>47,058</u>	<u>187,325</u>
	<u>\$ 166,759</u>	<u>\$ 306,823</u>	<u>\$ 113,123</u>	<u>\$ 1,780,528</u>	<u>\$ 2,367,233</u>

Our tests disclosed \$359,755 in claimed expenditures that were either unsubstantiated or amounts spent were less than the \$190,183 MOE (Table IV and Schedule III).

**Table IV  
Computation of Transit Surtax Funds Recommended for Recapture**

Description	Fiscal Year				Total
	9/30/2003	9/30/2004	9/30/2005	9/30/2006	
<b>Surtax Proceeds per Surfside</b>	\$ 49,458	\$ 155,276	\$ 155,021	\$ 198,166	\$ 557,921
<b>Expenditures Claimed</b>	\$ 166,759	\$ 306,823	\$ 113,123	\$ 1,780,528	\$ 2,367,233
Less: MOE, as Adjusted <sup>2</sup>	(190,183)	(190,183)	(190,183)	(190,183)	(760,732)
<b>Expenditures to be Applied Against Proceeds</b>	<u>\$ (23,424)</u>	<u>\$ 116,640</u>	<u>\$ (77,060)</u>	<u>\$ 1,590,345</u>	<u>\$ 1,606,501</u>
<b>AMS Analysis <sup>1</sup></b>					
Required 20% Transit Minimum	\$ 9,892	\$ 31,055	\$ 31,004	\$ 39,633	\$ 111,584
Amounts Applied by Surfside	-	31,055	-	39,633	70,688
Unused Funds	9,892	-	31,004	-	40,896
Required 80% Balance	39,566	124,221	124,017	158,533	446,337
Amounts Applied by Surfside	-	85,585	-	1,550,712	1,636,297
Unused (Excess) Funds	39,566	38,636	124,017	(1,392,179)	(1,189,960)
<b>Recommended Disallowances</b>					
Required 20% Transit Minimum	9,892	31,055	31,004	-	71,951
Required 80% Balance	39,566	124,221	124,017	-	287,804
	<u>\$ 49,458</u>	<u>\$ 155,276</u>	<u>\$ 155,021</u>	<u>\$ -</u>	<u>\$ 359,755</u>

<sup>1</sup> At least 20% of Transit Surtax proceeds must be used on transit-related projects, such as circulator buses, bus shelters, bus pullout bays or other related infrastructure, and the remaining funds (80%) are earmarked for eligible transportation projects as defined by Florida Statutes.

<sup>2</sup> Although Surfside reported \$63,146 as its MOE, the FY2002 Adopted Budget shows \$190,183.

More specifically, Surfside was unable to apply the 20% minimum threshold of \$9,892 in FY2003 and \$31,004 in FY2005 to eligible transit projects. In addition, qualifying transportation expenditures claimed were less than the MOE. Surfside reported that it had expended the 20% Transit minimum of \$31,055 in FY2004, however the amount could not be substantiated. The Interlocal Agreement specifies that if unable to spend 20% for transit projects, Surfside may use the monies on a County project that enhances traffic mobility within the city or immediate adjacent areas, which was not done. Otherwise, the municipal share must be distributed among other cities in the ensuing year. The remaining \$287,804 was disallowed as financial records were unavailable to support expenditures or amounts disbursed were less than the MOE (Table V and Schedule III).

**Table V  
 Recap of Disallowances**

Description	Year				Total
	2002/03	2003/04	2004/05	2005/06	
<b>20% Transit Minimum</b>					
MOE Threshold Not Met	\$ 9,892	\$ -	\$ 31,004	\$ -	\$ 40,896
Expenditures unsubstantiated	-	31,055	-	-	31,055
	<u>9,892</u>	<u>31,055</u>	<u>31,004</u>	<u>-</u>	<u>71,951</u>
<b>Required 80% Balance</b>					
MOE Threshold Not Met	39,566	-	124,017	-	163,583
Expenditures unsubstantiated	-	124,221	-	-	124,221
	<u>39,566</u>	<u>124,221</u>	<u>124,017</u>	<u>-</u>	<u>287,804</u>
	<u>\$ 49,458</u>	<u>\$ 155,276</u>	<u>\$ 155,021</u>	<u>\$ -</u>	<u>\$ 359,755</u>

**Recommendation**

- Recapture the \$359,755 or withhold monies from subsequent remittances.
- Town Commission members should remind staff of the importance of maintaining proper records to identify, support, and report eligible transit and transportation expenditures.

**Certification and Reporting Requirements**

To date, Surfside has not submitted in writing required certifications of its MOE, or documented for all years its qualifying transportation-related actual and planned expenditures due June 1 of each year on the Financial 'Recap' and Five Year Transportation Plan prescribed by OCITT. While all annual budgets were on file, none were certified as required and dates of receipt could not be confirmed.

Notwithstanding, the Financial Recap Form and Five Year Transportation Plan contain instructions that are vague, impeding reporting accuracy and completeness. Moreover, OCITT should add a line-item to these Forms specifying the 20% minimum requirement for transit-related projects.

**Recommendation**

- Obtain delinquent reports and consider withholding funds to encourage compliance with reporting requirements, and date stamp documents upon receipt to evidence conformance.
- Standardize, reassess, and clarify reporting forms as well as provide technical assistance to improve uniformity and accuracy.

**Other Matter**

OCITT diminished its administrative oversight by not taking decisive actions when requirements were not met. While numerous notices of reporting deficiencies were cited, funds were not withheld to obligate compliance.

**Recommendation**

Prospectively, withhold funds if known non-compliance matters are not promptly resolved.

CJ:zg

**Attachments**

c: W.D. Higginbotham, Jr., Town Manager, Town of Surfside  
Charles W. Burkett, Town Mayor, Town of Surfside

**Charter County Transit System Surtax  
Summary of Payments to Municipalities  
For the Four Fiscal Years Ended September 30, 2006**

Municipality	Fiscal Year Ended September 30				Total
	2003	2004	2005	2006	
City of Aventura	\$ 495,408	\$ 759,096	\$ 818,788	\$ 933,612	\$ 3,006,904
Town of Bal Harbour Village	62,707	96,085	99,550	112,832	371,174
Town of Bay Harbor Islands	96,989	148,613	155,936	172,145	573,683
Village of Biscayne Park	62,045	95,070	104,750	117,666	379,531
City of Coral Gables	810,009	1,241,148	1,298,953	1,467,752	4,817,862
Village of El Portal	47,795	73,232	76,045	84,400	281,472
City of Florida City	153,748	235,582	254,464	288,454	932,248
Town of Golden Beach	17,511	26,830	27,952	32,999	105,292
City of Hialeah	4,382,718	6,715,483	7,014,990	7,730,686	25,843,877
City of Hialeah Gardens	373,801	572,763	604,331	676,565	2,227,460
City of Homestead	621,791	952,745	1,051,671	1,208,129	3,834,336
Indian Creek Village	625	955	931	1,093	3,604
Village of Key Biscayne	202,733	310,644	333,638	369,378	1,216,393
Town of Medley	21,186	32,464	33,963	37,170	124,783
City of Miami	6,905,410	10,580,915	11,208,930	12,562,541	41,257,796
City of Miami Beach	1,686,079	2,583,517	2,719,756	3,029,839	10,019,191
Town of Miami Lakes	460,331	705,348	737,093	822,002	2,724,774
Village of Miami Shores	197,655	302,860	313,826	346,278	1,160,619
City of Miami Springs	259,738	397,985	412,534	456,196	1,526,453
City of North Bay Village	126,762	194,231	198,770	218,913	738,676
City of North Miami	1,136,965	1,742,129	1,805,505	1,989,253	6,673,852
City of North Miami Beach	799,300	1,224,740	1,267,423	1,402,019	4,693,482
City of Opa-Locka	291,102	446,045	468,652	533,416	1,739,215
Village of Palmetto Bay	459,612	704,246	745,086	824,252	2,733,196
Village of Pinecrest	361,540	553,977	579,684	639,364	2,134,565
City of South Miami	203,889	312,415	323,655	360,476	1,200,435
City of Sunny Isles Beach	293,299	449,411	486,866	548,772	1,778,348
Town of Surfside	95,908	146,959	157,799	184,160	584,826
City of Sweetwater	270,238	414,075	429,218	472,215	1,585,746
Village of Virginia Gardens	44,592	68,325	70,576	77,979	261,472
City of West Miami	113,307	173,613	185,212	202,961	675,093
	<b>\$ 21,054,793</b>	<b>\$ 32,261,501</b>	<b>\$ 33,986,547</b>	<b>\$ 37,903,517</b>	<b>\$ 125,206,358</b>

Source: Office of the Citizens' Independent Transportation Trust.

**Town of Surfside  
Comparative Analysis of Budget versus Actual  
For Transit and Transportation Related-Expenditures  
For the Four Fiscal Years Ended September 30, 2006**

Description	2003		2004		2005		2006		2003-2006
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	
<b>General Fund</b>									
Street Paving <sup>2</sup>	\$100,000	\$ 11,995	\$100,000	\$ 3,413	\$ -	\$ -	\$300,000	\$ 1,585,899	\$ 1,601,307
Street Lights <sup>2</sup>	32,000	31,034	30,000	32,581	32,000	33,761	33,000	36,032	133,408
Traffic Calming <sup>2</sup>	25,000	61,507	25,000	39,026	20,000	27,724	170,000	-	128,257
Street Maintenance <sup>2</sup>	10,000	-	10,000	-	10,000	10,056	100,000	9,799	19,855
Bus Driver <sup>1</sup>	19,200	18,845	19,200	-	19,200	-	-	-	18,845
Mini-bus expenses <sup>1</sup>	7,000	3,911	3,000	1,557	3,000	-	-	-	5,468
	<u>193,200</u>	<u>127,292</u>	<u>187,200</u>	<u>76,577</u>	<u>84,200</u>	<u>71,541</u>	<u>603,000</u>	<u>1,631,730</u>	<u>1,907,140</u>
<b>Transportation Surtax Fund</b>									
Street Paving <sup>2</sup>	-	-	107,188	-	107,188	-	100,000	100,000	100,000
Bus Circulator Operator <sup>1</sup>	-	-	25,200	25,898	23,348	30,585	30,292	11,635	68,118
Bus Acquisition <sup>1</sup>	-	-	60,000	58,914	-	-	-	-	58,914
Bus Shuttle Service <sup>1</sup>	-	-	-	-	-	-	-	35,423	35,423
Bus Maintenance <sup>1</sup>	-	-	2,000	-	-	557	-	-	557
Loan Repayment Reserve <sup>1</sup>	-	-	-	-	58,861	-	-	-	-
Bus Bays Acquisition <sup>1</sup>	-	-	-	-	7,500	-	20,000	-	-
Administrative Expenses <sup>1</sup>	-	-	7,146	-	7,146	-	1,500	-	-
Insurance <sup>1</sup>	-	-	2,000	-	2,000	-	2,000	-	-
Office Expenses <sup>1</sup>	-	-	-	-	-	-	608	-	-
	<u>-</u>	<u>-</u>	<u>203,534</u>	<u>84,812</u>	<u>206,043</u>	<u>31,142</u>	<u>154,400</u>	<u>147,058</u>	<u>263,012</u>
<b>Special Projects Fund</b>									
Traffic Calming <sup>2</sup>	25,000	29,897	250,000	134,124	-	-	-	-	164,021
ADA Improvements <sup>1</sup>	15,000	-	15,000	-	15,000	-	-	-	-
	<u>40,000</u>	<u>29,897</u>	<u>265,000</u>	<u>134,124</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,021</u>
<b>Stormwater Fund</b>									
Street Sweeping <sup>2</sup>	10,440	9,570	10,440	11,310	10,440	10,440	10,440	1,740	33,060
	<u>\$243,640</u>	<u>\$166,759</u>	<u>\$666,174</u>	<u>\$306,823</u>	<u>\$315,683</u>	<u>\$113,123</u>	<u>\$767,840</u>	<u>\$1,780,528</u>	<u>\$2,367,233</u>

Source: Surfside Budget and General Ledger

<sup>1</sup> Transit Project

<sup>2</sup> Transportation Project

**Town of Surfside,  
AMS Analysis of the Use Surtax Proceeds  
For the Four Fiscal Years Ended September 30, 2006**

	2003	2004	2005	2006	All Years
<b>Revenues:</b>					
Surtax Proceeds	\$ 49,458	\$ 155,276	\$ 155,021	\$ 198,166	\$ 557,921
<b>Use of Proceeds/Projects as per Surfside:</b>					
<b>Transportation Projects</b>					
Street Paving	\$ 11,995	\$ 3,413	\$ -	\$ 1,685,899	\$ 1,701,307
Traffic Calming	91,404	173,150	27,724	-	292,278
Street Lights	31,034	32,581	33,761	36,032	133,408
Street Sweeping	9,570	11,310	10,440	1,740	33,060
Street Maintenance	-	-	10,056	9,799	19,855
	<u>144,003</u>	<u>220,454</u>	<u>81,981</u>	<u>1,733,470</u>	<u>2,179,908</u>
<b>Transit Projects</b>					
Bus Circulator Operator	18,845	25,898	30,585	11,635	86,963
Bus Acquisition	-	58,914	-	-	58,914
Bus Shuttle Service	-	-	-	35,423	35,423
Maintenance & Supplies	3,911	1,557	557	-	6,025
	<u>22,756</u>	<u>86,369</u>	<u>31,142</u>	<u>47,058</u>	<u>187,325</u>
<b>Total Uses of Proceeds</b>	<u>166,759</u>	<u>306,823</u>	<u>113,123</u>	<u>1,780,528</u>	<u>2,367,233</u>
Less the Required Maintenance of Effort Amount	<u>190,183</u>	<u>190,183</u>	<u>190,183</u>	<u>190,183</u>	<u>760,732</u>
Expenditures to be Applied Against Surtax Proceeds as per Surfside	\$ <u>(23,424)</u>	\$ <u>116,640</u>	\$ <u>(77,060)</u>	\$ <u>1,590,345</u>	\$ <u>1,606,501</u>
<b>AMS Analysis of Surtax Proceeds to be Used for Transit Projects: <sup>1</sup></b>					
Required Transit Minimum (20% of Surtax Proceeds)	\$ 9,892	\$ 31,055	\$ 31,004	\$ 39,633	\$ 111,584
Less Amounts Applied by Surfside	-	31,055	-	39,633	70,688
Unused Funds to be Recaptured	\$ <u>9,892</u>	\$ <u>-</u>	\$ <u>31,004</u>	\$ <u>-</u>	\$ <u>40,896</u>
<b>AMS Analysis of Surtax Proceeds to be Used for Transportation and Transit Projects: <sup>1</sup></b>					
Required Transportation and Transit Projects (80% of Transit Surtax Proceeds)	\$ 39,566	\$ 124,221	\$ 124,017	\$ 158,533	\$ 446,337
Less Amounts Applied by Surfside	-	85,585	-	1,550,712	1,636,297
Expenditures (Over)/Under Remaining 80% Transit Surtax Proceeds	\$ <u>39,566</u>	\$ <u>38,636</u>	\$ <u>124,017</u>	\$ <u>(1,392,179)</u>	\$ <u>(1,189,960)</u>
<b>AMS Recommended Disallowances Due to:</b>					
Unused Transit Minimum Amount <sup>2,3</sup>	\$ 9,892	\$ 31,055	\$ 31,004	\$ -	\$ 71,951
Unused Transportation Allocations <sup>2,3</sup>	39,566	124,221	124,017	-	287,804
	\$ <u>49,458</u>	\$ <u>155,276</u>	\$ <u>155,021</u>	\$ <u>-</u>	\$ <u>359,755</u>

<sup>1</sup> At least 20% of Transit Surtax proceeds must be used on transit-related projects, such as circulator buses, bus shelters, bus pullout bays, or other related infrastructure, and the remaining funds (80%) are earmarked for eligible transportation projects as defined by Florida Statutes.

<sup>2</sup> Reported expenditures were less than the Maintenance of Effort amount in FY2003 and FY2005.

<sup>3</sup> Reported expenditures could not be substantiated in FY2004.