

Memorandum



Date: July 29, 2008

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

Cathy Jackson

From: Cathy Jackson, Director
Audit and Management Services Department

Subject: Audit Report – Charter County Transit System Surtax Review – Village of Biscayne Park

PURPOSE AND SCOPE

As requested, we reviewed the Village of Biscayne Park'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, 2007, to verify compliance with the Interlocal Agreement. Our review included, but was not limited to, testing expenditures for propriety and assessing internal controls over recordkeeping and financial reporting.

BACKGROUND

The Village of Biscayne Park is bordered by Northeast 121 Street to the North, Northeast 107 Street to the South, Peachtree Drive to the East, and West Biscayne Canal Road to the West in Miami-Dade County. Biscayne Park is governed by an elected Mayor and four Council members. The Village Manager, as appointed by the Village Council, is responsible for day-to-day oversight and administration. During the five-year period ended September 30, 2007, the County, through the Office of the Citizens' Independent Transportation Trust (OCITT), remitted approximately \$490,000 in Transit Surtax proceeds for Biscayne Park to expend on qualifying transportation-related projects (Schedule I).

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 June 1, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), Biscayne Park reported zero dollars as its budgeted FY2002 General Fund transportation support level, or Maintenance of Effort (MOE). During the five years ended September 30, 2007, Biscayne Park reportedly spent approximately \$388,000 of its Surtax proceeds on eligible projects that included bus benches, bus circulator service, traffic studies, and road and stormwater projects (Table I).

Table I
Surtax Proceeds and Expenditures Claimed
For the Five Fiscal Years Ended September 30, 2007

Description	Fiscal Year Ended					All Years
	9/30/03	9/30/04	9/30/05	9/30/06	9/30/07	
Surtax Proceeds	\$ 62,045	\$ 95,070	\$ 104,750	\$ 117,666	\$ 110,586	\$ 490,117
Surtax Uses						
Transit Expenditures	\$ -	\$ -	\$ -	\$ 28,592	\$ 32,500	\$ 61,092
Transportation Expenditures	-	9,691	82,159	120,200	115,073	327,123
	\$ -	\$ 9,691	\$ 82,159	\$ 148,792	\$ 147,573	\$ 388,215

Source: OCITT and Biscayne Park

SUMMARY RESULTS

As previously mentioned, Biscayne Park received \$490,000 in Transit Surtax funds during the audit period and reported using \$388,000 on eligible transit and transportation projects during the audit period (Table I). Village officials did not report FY2002 MOE because transportation funds were budgeted in a Special Revenue Fund rather than the General Fund, which is permitted under the Interlocal Agreement. Prior to fiscal year 2006, Biscayne Park was unable to expend the 20% minimum on transit-related projects until contracting with the City of North Miami to run a circulator bus through the Village. Nonetheless, AMS determined that \$170,015 (35%) of Surtax proceeds was not spent on eligible projects that should be recaptured if Village officials are unable to resolve our findings within a reasonable time period (Table II).

Additionally, Biscayne Park could not provide our auditors with certain annual reports required by the Interlocal Agreement, and its submitted Five-Year Transportation Plans were either incomplete or missing. It is also recommended that OCITT redesign its Financial Recap Form to include data highlighting the 20% minimum amount that must be spent on transit-related projects and how it was applied to specific projects. Instructions for completing this form should be clarified to enhance preparation accuracy and completeness. In any event, reporting deficiencies

and other obvious non-compliance matters should be promptly investigated and resolved within 30 days of receiving the annual Form.

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 45 days, in accordance with Administrative Order 3-7. Please contact Nancy McKee, Deputy Director, at 305-349-6100 if you have any questions.

FINDINGS AND RECOMMENDATIONS

Use of Surtax Proceeds

Municipalities are required to apply at least 20% of their OCITT proceeds to transit-related projects such as circulator buses, bus shelters, bus pullout bays, or other related infrastructure. During the first three years of the Interlocal Agreement, Biscayne Park was unable to expend the required transit funds until contracting with the City of North Miami to run a circulator bus through the Village. Our tests of qualifying Surtax expenditures disclosed \$170,015 of unspent Surtax proceeds, which are subject to recapture by the OCITT (Table II).

**Table II
Transit Surtax Funds Recommended for Recapture**

Description	Fiscal Year Ended					All Years
	9/30/03	9/30/04	9/30/05	9/30/06	9/30/07	
Surtax Proceeds	\$ 62,045	\$ 95,070	\$ 104,750	\$ 117,666	\$ 110,586	\$ 490,117
Expenditures Applied Against Proceeds:						
Transit	\$ -	\$ -	\$ -	\$ 28,592	\$ 32,500	\$ 61,092
Transportation	-	9,691	82,159	120,200	115,073	327,123
	\$ -	\$ 9,691	\$ 82,159	\$ 148,792	\$ 147,573	\$ 388,215
AMS Analysis:						
Required 20% Transit Minimum ¹	\$ 12,409	\$ 19,014	\$ 20,950	\$ 23,533	\$ 22,117	\$ 98,023
Surtax Proceeds Applied	-	-	-	(28,592)	(32,500)	(61,092)
Unused (Excess) Funds	\$ 12,409	\$ 19,014	\$ 20,950	\$ (5,059)	\$ (10,383)	\$ 36,931
Remaining 80% Balance ¹	\$ 49,636	\$ 76,056	\$ 83,800	\$ 94,133	\$ 88,469	\$ 392,094
Surtax Proceeds Applied	-	(9,691)	(82,159)	(120,200)	(115,073)	(327,123)
Unused (Excess) Funds	\$ 49,636	\$ 66,365	\$ 1,641	\$ (26,067)	\$ (26,604)	\$ 64,971
Recommended Disallowances:						
Required 20% Transit Minimum	\$ 12,409	\$ 19,014	\$ 20,950	\$ -	\$ -	\$ 52,373
Required 80% Balance	49,636	66,365	1,641	-	-	117,642
	\$ 62,045	\$ 85,379	\$ 22,591	\$ -	\$ -	\$ 170,015

¹ At least 20% of Surtax proceeds must be used on transit-related projects, such as circulator buses, and the remaining funds (80%) are earmarked for eligible transportation projects as defined by Florida Statutes.

Recommendation

OCITT should recapture or withhold \$170,015 from subsequent remittances.

Certification and Reporting Requirements

Biscayne Park could not provide our auditors with certain copies of required annual OCITT compliance reports, which include reports of qualifying expenditures and the Five-Year Transportation Plan. These reports must be submitted annually on June 1, along with a certification that OCITT funds were used in accordance with the terms of the Interlocal Agreement. We reviewed Five-Year Transportation Plans for fiscal years 2003, 2004 and 2007, noting that they lacked specific project descriptions. The 2005 and 2006 Plans were not available. We were provided with a FY2005 report of qualifying expenditures, but none were provided for the other years in the audit period.

Recommendation

- Biscayne Park should implement more formal record keeping procedures and submit accurate reports to OCITT.
- OCITT should establish formal record-keeping procedures to ensure that municipalities' annual reports are submitted on time and filed for subsequent review or audit.
- OCITT should consider withholding funding if reports are incomplete or delinquent.

CJ:zg

Attachments

c: Honorable Harvey A. Ruvin, Clerk of the Courts
Robert A. Cuevas, Jr., County Attorney
Ysela Llord, Assistant County Manager
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management
Charles Anderson, Commission Auditor
Frank Spence, Village Manager, Village of Biscayne Park

**Charter County Transit System Surtax
Summary of Payments to Municipalities
For the Five Fiscal Years Ended September 30, 2007**

Municipality	Fiscal Year Ended September 30,					Total
	2003	2004	2005	2006	2007	
City of Aventura	\$ 495,408	\$ 759,096	\$ 818,788	\$ 933,612	\$ 947,021	\$ 3,953,925
Town of Bal Harbour Village	62,707	96,085	99,550	112,832	105,834	477,008
Town of Bay Harbor Islands	96,989	148,613	155,936	172,145	173,190	746,873
Village of Biscayne Park	62,045	95,070	104,750	117,666	110,586	490,117
City of Coral Gables	810,009	1,241,148	1,298,953	1,467,752	1,480,710	6,298,572
Village of El Portal	47,795	73,232	76,045	84,400	84,367	365,839
City of Florida City	153,748	235,582	254,464	288,454	291,983	1,224,231
Town of Golden Beach	17,511	26,830	27,952	32,999	24,732	130,024
City of Hialeah	4,382,718	6,715,483	7,014,990	7,730,686	7,656,151	33,500,028
City of Hialeah Gardens	373,801	572,763	604,331	676,565	681,956	2,909,416
City of Homestead	621,791	952,745	1,051,671	1,208,129	1,275,853	5,110,189
Indian Creek Village	625	955	931	1,093	-	3,604
Village of Key Biscayne	202,733	310,644	333,638	369,378	379,639	1,596,032
Town of Medley	21,186	32,464	33,963	37,170	37,616	162,399
City of Miami	6,905,410	10,580,915	11,208,930	12,562,541	12,855,629	54,113,425
City of Miami Beach	1,686,079	2,583,517	2,719,756	3,029,839	3,108,056	13,127,247
Town of Miami Lakes	460,331	705,348	737,093	822,002	822,114	3,546,888
Village of Miami Shores	197,655	302,860	313,826	346,278	348,437	1,509,056
City of Miami Springs	259,738	397,985	412,534	456,196	459,353	1,985,806
City of North Bay Village	126,762	194,231	198,770	218,913	215,921	954,597
City of North Miami	1,136,965	1,742,129	1,805,505	1,989,253	2,004,095	8,677,947
City of North Miami Beach	799,300	1,224,740	1,267,423	1,402,019	1,366,735	6,060,217
City of Opa-Locka	291,102	446,045	468,652	533,416	513,020	2,252,235
Village of Palmetto Bay	459,612	704,246	745,086	824,252	823,908	3,557,104
Village of Pinecrest	361,540	553,977	579,684	639,364	646,631	2,781,196
City of South Miami	203,889	312,415	323,655	360,476	351,494	1,551,929
City of Sunny Isles Beach	293,299	449,411	486,866	548,772	555,020	2,333,368
Town of Surfside	95,908	146,959	157,799	184,160	144,185	729,011
City of Sweetwater	270,238	414,075	429,218	472,215	477,595	2,063,341
Village of Virginia Gardens	44,592	68,325	70,576	77,979	78,619	340,091
City of West Miami	113,307	173,613	185,212	202,961	194,190	869,283
	<u>\$ 21,054,793</u>	<u>\$ 32,261,501</u>	<u>\$ 33,986,547</u>	<u>\$ 37,903,517</u>	<u>\$ 38,214,640</u>	<u>\$ 163,420,998</u>

Source: Citizens' Independent Transportation Trust

Charter County Transit System Surtax - Village of Biscayne Park
Listing of Qualifying Surtax Projects
For the Five Years Ended September 30, 2007

	Fiscal Year Ended September 30,					All Years
	2003	2004	2005	2006	2007	
Transit Projects						
Bus Benches	\$ -	\$ -	\$ -	\$ 8,592	\$ -	\$ 8,592
North Miami Circulator	-	-	-	20,000	32,500	52,500
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,592</u>	<u>\$ 32,500</u>	<u>\$ 61,092</u>
Transportation Projects						
Traffic Studies	\$ -	\$ 3,132	\$ 22,625	\$ 4,375	\$ 5,848	\$ 35,980
Drainage Study	-	3,132	-	-	-	3,132
Consulting for Stormwater Project	-	-	33,621	-	-	33,621
Supplies	-	-	675	825	-	1,500
Signage	-	-	-	-	5,423	5,423
Road Fund Projects	-	-	20,000	30,000	20,000	70,000
Stormwater Fund Projects	-	-	-	85,000	83,802	168,802
Salary and Administrative Expenses	-	3,427	5,238	-	-	8,665
	<u>\$ -</u>	<u>\$ 9,691</u>	<u>\$ 82,159</u>	<u>\$ 120,200</u>	<u>\$ 115,073</u>	<u>\$ 327,123</u>
Grand Total	<u>\$ -</u>	<u>\$ 9,691</u>	<u>\$ 82,159</u>	<u>\$ 148,792</u>	<u>\$ 147,573</u>	<u>\$ 388,215</u>