

Memorandum



Date: July 29, 2008

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 – Village of Pinecrest

PURPOSE AND SCOPE

As requested, we reviewed the Village of Pinecrest'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 tests included, but were not limited to, testing expenditures for propriety and assessing internal controls over recordkeeping and financial reporting.

BACKGROUND

The Village of Pinecrest is bordered by Snapper Creek Canal to the North, Southwest 136 Street to the South, Southwest 57 Avenue to the East, and Pinecrest Parkway (US1) to the West in Miami-Dade County. Pinecrest is governed by an elected Mayor and four Council members. The Village Manager, as appointed by the 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 \$2.8 million in Transit Surtax proceeds for Pinecrest to expend on qualifying transit and 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 July 17, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), Pinecrest reported approximately \$275,000 as its FY2002 General Fund transportation support level, or Maintenance of Effort (MOE). During the five years ended September 30, 2007, Pinecrest spent \$1.4 million of its Surtax proceeds for eligible projects that included road maintenance and resurfacing, drainage, traffic studies, and other costs (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	
Maintenance of Effort (MOE)	\$ 274,728	\$ 274,728	\$ 274,728	\$ 274,728	\$ 274,728	\$ 1,373,640
Surtax Proceeds	\$ 361,540	\$ 553,977	\$ 579,684	\$ 639,364	\$ 646,631	\$ 2,781,196
Surtax Uses						
Transit Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 4,650	\$ 4,650
Transportation Expenditures	232,510	123,751	420,135	278,492	372,066	1,426,954
Total	\$ 232,510	\$ 123,751	\$ 420,135	\$ 278,492	\$ 376,716	\$ 1,431,604

Source: OCITT and Pinecrest

Eligible expenditures are determined for each year using actual expenditures or appropriated amounts for qualifying transit and transportation-related projects less the FY2002 MOE. As projects may take longer than a year to develop and construct, not all funds received for any given year will actually be spent; however, they must be appropriated within that fiscal year to avoid recapture.

SUMMARY RESULTS

Pinecrest reported its FY2002 MOE as \$274,728 based upon *actual* transportation expenses, rather than *budgeted* General Fund transportation expenses of \$103,361. Using the corrected MOE amount we determined that \$1.9 million (67%) of Surtax proceeds was not spent on eligible transit and transportation-related projects during the five years ended September 30, 2007 (Table III). These monies should be recaptured unless Pinecrest officials are able to resolve the unspent Surtax proceeds issue. Prospectively, remittances should be withheld until Pinecrest officials submit a plan that demonstrates it can effectively use the 20% transit portion.

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

General Fund Support

Pinecrest reported its FY2002 MOE as \$274,728 based upon *actual* transportation expenditures, when MOE should have been based upon FY2002 *budgeted* General Fund transportation expenditures of \$103,361 (Table II). Since municipalities are required to apply Surtax proceeds to supplement, rather than replace, their General Fund support for transportation projects, the propriety of all future uses of Transit Surtax proceeds are affected by the accuracy of the MOE.

**Table II
 General Fund MOE
 FY 2002**

Description	Adopted Budget
<i>Public Works Department</i>	
Street maintenance salaries & benefits	\$ 89,461
Public Works vehicles	13,900
MOE per FY2002 Budget	103,361
Less: Reported MOE	(274,728)
Overstated Amount	\$ (171,367)

Source: Pinecrest FY2002 Budget

Recommendation

Require Pinecrest to support and certify a corrected MOE within 30 days.

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. Pinecrest officials had planned to use OCITT funding to construct a park-and-ride lot for

commuters, but the plan was opposed by its residents. As a result, Pinecrest incurred less than the required 20% in transit expenditures during the audit period (Table III).

**Table III
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	\$ 361,540	\$ 553,977	\$ 579,684	\$ 639,364	\$ 646,631	\$ 2,781,196
Expenditures Applied Against Proceeds:						
Transit Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 4,650	\$ 4,650
Transportation Expenditures	\$ 232,510	\$ 123,751	\$ 420,135	\$ 278,492	\$ 372,066	\$ 1,426,954
Less: Corrected MOE (Table II)	(103,361)	(103,361)	(103,361)	(103,361)	(103,361)	(516,805)
Available Qualifying Expenditures	\$ 129,149	\$ 20,390	\$ 316,774	\$ 175,131	\$ 268,705	\$ 910,149
AMS Analysis						
Required 20% Transit Minimum	\$ 72,308	\$ 110,795	\$ 115,937	\$ 127,873	\$ 129,326	\$ 556,239
Surtax Proceeds Applied	-	-	-	-	(4,650)	(4,650)
Unused Funds	\$ 72,308	\$ 110,795	\$ 115,937	\$ 127,873	\$ 124,676	\$ 551,589
Remaining 80% Balance	\$ 289,232	\$ 443,182	\$ 463,747	\$ 511,491	\$ 517,305	\$ 2,224,957
Surtax Proceeds Applied	(129,149)	(20,390)	(316,774)	(175,131)	(268,705)	(910,149)
Unused Funds	\$ 160,083	\$ 422,792	\$ 146,973	\$ 336,360	\$ 248,600	\$ 1,314,808
Recommended Disallowances:						
Required 20% Transit Minimum	\$ 72,308	\$ 110,795	\$ 115,937	\$ 127,873	\$ 124,676	\$ 551,589
Remaining 80% Balance	160,083	422,792	146,973	336,360	248,600	1,314,808
	\$ 232,391	\$ 533,587	\$ 262,910	\$ 464,233	\$ 373,276	\$ 1,866,397

Additionally, Pinecrest did not expend or appropriate all of its transportation-related funds during the audit period. Pinecrest officials provided a five-year capital improvement plan from its FY2006 budget which included a Village-wide road resurfacing program planned for FY2009 and 2010, in the amount of \$5 million. This planned project does not qualify as an appropriation of Surtax proceeds for OCITT purposes as the budget did not identify the source of funding for the resurfacing program.

Recommendation

OCITT should recapture or withhold \$1.9 million from subsequent remittances. Had the planned road resurfacing project from the FY2006 budget qualified as an appropriation of Surtax proceeds, the recapture amount would have been reduced by \$584,960, the amount of transportation funds disallowed for fiscal years 2006 and 2007.

Certification and Reporting Requirements

Pinecrest could not initially provide our auditors with certain copies of annual reports required under the Interlocal Agreement, which include reports of qualifying expenditures and the Five-Year Transportation Plan. Although the missing reports were subsequently produced, these reports should be submitted as required annually on June 1, along with a certification that OCITT funds were used in accordance with the terms of the Interlocal Agreement.

Recommendation

- 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 Llori, Assistant County Manager
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management
Charles Anderson, Commission Auditor
Peter G. Lombardi, Village Manager, Village of Pinecrest

**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 Pinecrest
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	\$ -	\$ -	\$ -	\$ -	\$ 4,650	\$ 4,650
Transportation Projects						
Resurfacing Intersection	\$ -	\$ -	\$ 55,476	\$ -	\$ -	\$ 55,476
Roadway Improvement	-	-	-	24,987	206,361	231,348
Traffic Studies	-	621	15,282	-	-	15,903
Concrete Testing	-	417	3,265	-	-	3,682
Guardrails	-	-	-	-	2,700	2,700
Highway & Right of Way Maintenance	-	2,152	175,070	104,941	-	282,163
Public Works Vehicles Operation & Maintenance	6,489	8,725	8,460	8,870	17,654	50,198
Road Drainage	90	1,341	10,531	2,000	10,640	24,602
Road Materials & Supplies	-	6,124	14,314	8,330	8,161	36,929
Road Striping	-	1,352	1,150	-	-	2,502
Roadside Fencing	-	-	2,175	-	2,150	4,325
Roadway Design	-	7,225	11,439	7,075	1,123	26,862
Roadway Paving	133,355	-	-	-	-	133,355
Sinkhole Repair	-	-	17,690	-	-	17,690
Street Maintenance - Salaries	67,230	73,880	77,897	88,767	88,465	396,239
Street Maintenance - Benefits	25,346	21,914	24,886	31,522	33,482	137,150
Surveying	-	-	2,500	2,000	1,330	5,830
	<u>\$ 232,510</u>	<u>\$ 123,751</u>	<u>\$ 420,135</u>	<u>\$ 278,492</u>	<u>\$ 372,066</u>	<u>\$ 1,426,954</u>
Grand Total	<u>\$ 232,510</u>	<u>\$ 123,751</u>	<u>\$ 420,135</u>	<u>\$ 278,492</u>	<u>\$ 376,716</u>	<u>\$ 1,431,604</u>