

# Memorandum



**Date:** September 22, 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 – Town of Miami Lakes

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## PURPOSE AND SCOPE

As requested, we reviewed the Town of Miami Lakes' 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 Town of Miami Lakes is situated along Interstate 75 and NW 57<sup>th</sup> Avenue between the City of Hialeah on the South and State Road 826 on the North, in Miami-Dade County. Miami Lakes is governed by an elected Mayor and six Council members. The Town Manager, as appointed by the Council, 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 \$2.7 million in Transit Surtax proceeds for Miami Lakes 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 July 22, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), Miami Lakes reported \$115,000 as its budgeted FY2002 General Fund transportation support level, or Maintenance of Effort (MOE). During the four years ended September 30, 2006, Miami Lakes reported spending its Surtax proceeds of \$2.7 million on eligible transit and transportation-related projects (Table I).

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

Description	Fiscal Year Ended				All Years
	9/30/03	9/30/04	9/30/05	9/30/06	
Maintenance of Effort (MOE)	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ 460,000
Surtax Proceeds	\$ 460,331	\$ 705,348	\$ 737,093	\$ 822,002	\$ 2,724,774
<b>Surtax Uses</b>					
Transit Expenditures	\$ 21,250	\$ 53,241	\$ 238,636	\$ 186,620	\$ 499,747
Transportation Expenditures	173,017	706,674	642,526	657,602	2,179,819
Total	\$ 194,267	\$ 759,915	\$ 881,162	\$ 844,222	\$ 2,679,566

Source: OCITT and Miami Lakes

**SUMMARY RESULTS**

As previously mentioned, Miami Lakes received \$2.7 million in Transit Surtax funds during the audit period, and reported using Surtax Proceeds on eligible transit and transportation projects. Although Town officials reported \$115,000 as its FY2002 MOE, our auditors identified an additional \$357,102 in the Adopted Budget that was not reported (Table II). Using the updated MOE, we determined that \$270,645 (10%) of Surtax proceeds was not spent or appropriated on transit-related projects as required during the audit period, and thus is subject to recapture (Table IV). Those proceeds should be recaptured and prospectively, remittances withheld until Town officials certify the revised MOE.

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 30 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**

Miami Lakes was unable to furnish documentation supporting the \$115,000 MOE reported to the OCITT (Attachment I) as qualifying transportation-related projects in its FY2002 General Fund Budget. Since municipalities are required to apply Surtax proceeds to supplement, rather than replace, their General Fund support for transit and transportation-related projects, the propriety of all future uses of Transit Surtax proceeds are affected by the accuracy of the MOE. AMS identified several transportation projects in Miami Lakes' FY2002 General Fund Budget that should have been reported as MOE, as detailed below.

**Table II  
 FY2002 MOE**

Description	Adopted Budget	Actual
87th Avenue Improvements	\$ 150,000	\$ -
Public Works Town Maintenance	150,000	-
Roadway Maintenance	70,602	-
Road Resurfacing Program	45,287	-
Street Lighting	56,213	53,716
MOE per FY2002 Budget	472,102	\$ 53,716
Less: Reported MOE	(115,000)	
Understated Amount	\$ 357,102	

Source: Miami Lakes FY2002 Budget and General Ledger

*Not in MOE*

$$\begin{array}{r}
 472,102 \\
 150,000 \\
 \hline
 322,102 \\
 115,000 \\
 \hline
 207,102
 \end{array}$$

**Recommendation**

Require Miami Lakes to certify a revised MOE within 30 days or withhold future disbursements. At a minimum, certified MOE should be the \$472,102 identified above.

**Adjustments to Claimed Expenditures**

Bus circulators must run on a fixed, scheduled route to qualify for OCITT funding. In FY2006, Miami Lakes’ bus circulator operated on a fixed schedule for 53% of the year and on-demand for the remaining 47%. Nonetheless, Miami Lakes officials reported 100% of the bus purchase price as an eligible transit expenditure when only 53% qualified for such funding.

In addition, Miami Lakes purchased bus benches in FY2005 and reported the full invoice amount as an eligible transit expenditure, but did not reduce the purchase price for the vendor’s 15% discount. These two items totaling \$28,929 are summarized in Table III.

**Table III  
 Adjustments to Claimed Transit and Transportation Expenditures**

Description	Fiscal Year Ended				All Years
	9/30/2003	9/30/2004	9/30/2005	9/30/2006	
<b>Transit Projects</b>					
Bus Circulator- Acquisition	\$ -	\$ -	\$ -	\$ 23,662	\$ 23,662
Bus Benches	-	-	5,267	-	5,267
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,267</u>	<u>\$ 23,662</u>	<u>\$ 28,929</u>

*Agree*

Source: Miami Lakes Expenditure Records

**Recommendation**

Miami Lakes officials should be instructed to submit revised reports reflecting the aforementioned adjustments.

**Use of Surtax Proceeds**

Miami Lakes applied the Surtax proceeds, its most restrictive source of revenue, to qualifying transit and transportation-related expenditures first. Although our review disclosed the MOE was understated by \$357,102 (Table II) which resulted in a shortfall of qualifying expenditures, Town officials identified another \$2.9 million in eligible purchases as detailed in Schedule II. However, the additional amounts claimed were not sufficient to fully use Surtax proceeds totaling \$270,645 (Table IV). Included in the \$270,645 is \$190,555 of unspent FY2003 Surtax proceeds that were spent in FY2004. OCITT stated in its May 2004 *Municipal Questions and Answers* that FY2003 Surtax proceeds may be rolled-over to FY2004, as funding of Surtax proceeds did not occur until late in FY2003. However, this change in policy was not presented to its Board for formal ratification; thus, we did not allow the rollover.

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

Description	Fiscal Year Ended				All Years
	9/30/03	9/30/04	9/30/05	9/30/06	
<b>Surtax Proceeds</b>	\$ 460,331	\$ 705,348	\$ 737,093	\$ 822,002	\$ 2,724,774
<b>Expenditures Applied Against Proceeds:</b>					
<b>Transit</b>					
Reported Expenditures	\$ 21,250	\$ 53,241	\$ 238,636	\$ 186,620	\$ 499,747
Additional Claimed Expenditures	-	-	-	1,500	1,500
Appropriations and Use of Appropriations <sup>2</sup>	-	169,000	(166,040)	-	2,960
Less: Adjustments to Expenditures (Table III)	-	-	(5,267)	(23,662)	(28,929)
<b>Eligible Transit Expenditures</b>	<b>\$ 21,250</b>	<b>\$ 222,241</b>	<b>\$ 67,329</b>	<b>\$ 164,458</b>	<b>\$ 475,278</b>
<b>Transportation</b>					
Reported Expenditures	\$ 173,017	\$ 706,674	\$ 642,526	\$ 657,602	\$ 2,179,819
Additional Claimed Expenditures	547,611	820,810	723,867	635,935	2,728,223
Total Transportation	720,628	1,527,484	1,366,393	1,293,537	4,908,042
Less: Reported MOE	(115,000)	(115,000)	(115,000)	(115,000)	(460,000)
AMS Adjustment to MOE (Table II)	(357,102)	(357,102)	(357,102)	(357,102)	(1,428,408)
MOE, as adjusted	(472,102)	(472,102)	(472,102)	(472,102)	(1,888,408)
<b>Eligible Transportation Expenditures</b>	<b>\$ 248,526</b>	<b>\$ 1,055,382</b>	<b>\$ 894,291</b>	<b>\$ 821,435</b>	<b>\$ 3,019,634</b>
<b>AMS Analysis:</b>					
<b>Transit</b>					
Required 20% Transit Minimum <sup>1</sup>	\$ 92,066	\$ 141,070	\$ 147,419	\$ 164,400	\$ 544,955
Eligible Transit-Related Expenditures Applied	(21,250)	(141,070)	(67,329)	(164,400)	(394,049)
<b>Unused Funds</b>	<b>\$ 70,816</b>	<b>\$ -</b>	<b>\$ 80,090</b>	<b>\$ -</b>	<b>\$ 150,906</b>
<b>Transportation</b>					
Remaining 80% Balance <sup>1</sup>	\$ 368,265	\$ 564,278	\$ 589,674	\$ 657,602	\$ 2,179,819
Eligible Transportation-Related Expenditures Applied	(248,526)	(564,278)	(589,674)	(657,602)	(2,060,080)
<b>Unused Funds</b>	<b>\$ 119,739</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 119,739</b>
<b>Recommended Recapture:</b>					
Transit	\$ 70,816	\$ -	\$ 80,090	\$ -	\$ 150,906
Transportation	119,739	-	-	-	119,739
	<b>\$ 190,555</b>	<b>\$ -</b>	<b>\$ 80,090</b>	<b>\$ -</b>	<b>\$ 270,645</b>

<sup>1</sup> 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.

<sup>2</sup> Appropriated funds expended in FY2005 to purchase bus shelters and bus benches.

**Recommendation**

OCITT should recapture or withhold \$270,645 from subsequent remittances. Moreover, OCITT should have its Board formally ratify its policy change to rollover FY2003 Surtax proceeds to FY2004 and notify all affected municipalities, accordingly. Prospectively, policy changes should be formally presented to the OCITT Board and BCC before implementation.

**Certification and Reporting Requirements**

Miami Lakes did not submit annual financial certifications to the OCITT, but did submit a Financial Recap Report for the four years ended September 30, 2006 (Attachment I). Reports of qualifying expenditures and a Five-Year Transportation Plan are required to be submitted annually on June 1, along with a certification that OCITT funds were used in accordance with the terms of the Interlocal Agreement.

**Recommendation**

- Miami Lakes should retroactively submit the required annual certifications to the OCITT as required by the Interlocal Agreement.
- 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  
George M. Burgess, County Manager  
Robert A. Cuevas, Jr., County Attorney  
Ysela Llorca, Assistant County Manager  
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management  
Charles Anderson, Commission Auditor  
Evelyn Roig, Interim Town Manager, Town of Miami Lakes

**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
	<u>\$ 21,054,793</u>	<u>\$ 32,261,501</u>	<u>\$ 33,986,547</u>	<u>\$ 37,903,517</u>	<u>\$ 125,206,358</u>

Source: Office of the Citizens' Independent Transportation Trust.

Charter County Transit System Surtax - Town of Miami Lakes  
 Listing of Qualifying Surtax Projects  
 For the Four Fiscal Years Ended September 30, 2006

	Fiscal Year Ended September 30				All Years
	2003	2004	2005	2006	
<b>Transit Projects</b>					
Bus Benches and Bus Shelters	\$ -	\$ 28,386	\$ 208,766	\$ 104,345	\$ 341,497
Bus Acquisition	-	-	-	49,945	49,945
Bus Operating Expenses	-	-	-	32,330	32,330
Transportation Master Plan	11,275	16,355	-	-	27,630
Traffic Studies	9,975	8,500	5,400	-	23,875
Transit Route Plan	-	-	12,700	-	12,700
School Hazard Walking Assessment	-	-	8,000	-	8,000
Transit Planning	-	-	3,770	-	3,770
<b>Total Reported Expenditures</b>	<u>21,250</u>	<u>53,241</u>	<u>238,636</u>	<u>186,620</u>	<u>499,747</u>
Additional Claimed Expenditures for Bus Benches and Bus Shelters	-	-	-	1,500	1,500
Appropriation of Surtax Proceeds for Bus Benches and Bus Shelters	-	169,000	-	-	169,000
Use of Appropriated Funds, Included in Reported Expenditures Above	-	-	(166,040)	-	(166,040)
<b>Total Appropriations and Uses of Appropriations</b>	-	<u>169,000</u>	<u>(166,040)</u>	-	<u>2,960</u>
Adjustment to Bus Circulator Acquisition (Table III)	-	-	-	(23,662)	(23,662)
Adjustment to Bus Benches (Table III)	-	-	(5,267)	-	(5,267)
<b>Total Adjustments to Expenditures</b>	-	-	<u>(5,267)</u>	<u>(23,662)</u>	<u>(28,929)</u>
<b>Total Eligible Transit Expenditures</b>	<u>\$ 21,250</u>	<u>\$ 222,241</u>	<u>\$ 67,329</u>	<u>\$ 164,458</u>	<u>\$ 475,278</u>
<b>Transportation Projects</b>					
Miami Lakeway North Road & Drainage Improvements	\$ -	\$ 505,290	\$ 110,964	\$ -	\$ 616,254
NW 154th St. Road & Drainage	-	-	353,875	178,682	532,557
Lake Glenn Elen & Lake Cynthia Stormwater and Road Improvements	-	-	-	318,469	318,469
Road Resurfacing - Various Locations	150,000	37,350	42,000	16,941	246,291
Road Restoration & Drainage Mitigation	-	115,812	-	-	115,812
NW 87th Ave. Landscaping & Irrig. New Rd.	-	-	-	86,710	86,710
Graham Dairy Lake Partial Resurfacing	-	-	71,083	-	71,083
Loch Lomond Road Resurfacing & Repair	-	12,955	27,750	-	40,705
Loch Ness Road and Drainage	-	-	-	15,700	15,700
Administrative Expenditures	23,017	35,267	36,854	41,100	136,238
<b>Total Reported Expenditures</b>	<u>173,017</u>	<u>706,674</u>	<u>642,526</u>	<u>657,602</u>	<u>2,179,819</u>
Additional Claimed Expenditures:					
Streetlighting	214,411	297,741	384,366	306,945	1,203,463
NW 87th Avenue Improvements	333,200	-	-	-	333,200
Miami Lakeway North Road & Drainage Improvements	-	523,069	36,988	-	560,057
NW 154th St. Road & Drainage	-	-	302,513	175,005	477,518
New Medians	-	-	-	153,985	153,985
<b>Total Additional Claimed Expenditures</b>	<u>547,611</u>	<u>820,810</u>	<u>723,867</u>	<u>635,935</u>	<u>2,728,223</u>
<b>Total Eligible Transportation Expenditures</b>	<u>\$ 720,628</u>	<u>\$ 1,527,484</u>	<u>\$ 1,366,393</u>	<u>\$ 1,293,537</u>	<u>\$ 4,908,042</u>
<b>Total Eligible Transit and Transportation Expenditures</b>	<u>\$ 741,878</u>	<u>\$ 1,749,725</u>	<u>\$ 1,433,722</u>	<u>\$ 1,457,995</u>	<u>\$ 5,383,320</u>

Charter County Transit System Surtax - Town of Miami Lakes  
 Financial Recap Report for the Four Fiscal Years Ended September 30, 2006

Miami Lakes

Please enter actual dollar amounts

Maintenance of Effort

Surtax Proceeds

Bond Proceeds

Grant Funds

Total Additional Proceeds

	Actual FY01-02	Actual FY02-03	Actual FY03-04	Actual FY04-05	Actual FY05-06	TOTALS	Budget FY06-07
Maintenance of Effort	115,000						
Surtax Proceeds		460,331	705,348	737,093	822,002	2,724,774	816,555
Bond Proceeds							
Grant Funds							255,000
<b>Total Additional Proceeds</b>		<b>\$ 460,331</b>	<b>\$ 705,348</b>	<b>\$ 737,093</b>	<b>\$ 822,002</b>	<b>\$ 2,724,774</b>	<b>\$ 1,071,555</b>

Projects	Project Start Date	Project Type	Fully Funded by Surtax							
Transportation Master Plan	Feb 2003	Transit	No		11,275	16,355				27,630
Traffic Studies	May 2003	Transit	Yes		9,975	8,500	5,400			23,875
School hazard walking assessment		Transit	Yes				8,000			8,000
Transit route plan		Transit	Yes				12,700			12,700
Bus benches		Transit	Yes				35,111			35,111
Bus shelters	Sept 2004	Transit	Yes			28,386	173,655	104,345		306,386
MPO LTR plan		Transit	Yes				3,770			3,770
Bus acquisition	Oct 2005	Transit	No					49,945		300,000
Operating expenses - bus circulator	Dec 2005	Transit	Yes					32,330		109,883
Road resurfacing - various locations		Transportation	No		150,000	37,350	42,000	16,941		246,291
Loch Lomond road resurfacing & repair		Transportation	No			12,955	27,750			40,705
Miami Lakeway North road & drainage improvements		Transportation	No			505,290	110,964			616,254
Road restoration & drainage mitigation		Transportation	No			115,812				115,812
Graham Dairy Lake partial resurfacing		Transportation	No				71,083			71,083
NW 87th Ave landscaping & irrigation on new road		Transportation	No					86,710		86,710
NW 154th Street road & drainage		Transportation	No				353,875	178,682		532,557
Lake Glenn Elen & Lake Cynthia		Transportation	No					318,469		318,469
Loch Ness road and drainage		Transportation	No					15,700		301,500
Cowpen Road partial resurfacing		Transportation	No							34,744
Lake Elizabeth road & drainage		Transportation	No							279,000
<b>Administrative Expense</b>						23,017	35,267	36,854	41,100	136,238
<b>Total Surtax Related Expenses</b>						<b>\$ 194,267</b>	<b>\$ 759,915</b>	<b>\$ 881,162</b>	<b>\$ 844,222</b>	<b>\$ 2,679,566</b>

Administrative Expense

Total Surtax Related Expenses

	\$ 194,267	\$ 759,915	\$ 881,162	\$ 844,222	\$ 2,679,566	\$ 1,063,127
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