

Memorandum



Date: June 18, 2009

To: Charles D. Scurr, Executive Director
Office of the Citizens' Independent Transportation Trust

From: 
Cathy Jackson, Director
Audit and Management Services Department

Subject: Audit Report – Charter County Transit System Surtax Review –
Village of Palmetto Bay

PURPOSE AND SCOPE

As requested, we reviewed the Village of Palmetto Bay's (Palmetto Bay) use of Charter County Transit System Surtax (Transit Surtax) proceeds remitted by Miami-Dade County (County), for the six years ended September 30, 2008, to verify compliance with the Interlocal Agreement, as Amended. Our review included, but was not limited to, testing expenditures for propriety and assessing internal controls over recordkeeping and financial reporting.

BACKGROUND

Palmetto Bay was incorporated on September 10, 2002. It is bordered by S.W. 136th Street to the North, Biscayne Bay to the East, S.W. 184th Street to the South, and South Dixie Highway to the West. Palmetto Bay is governed by an elected Mayor and four Council members. The Manager, as appointed by the Council, is responsible for day-to-day oversight and administration. During the six-year period ended September 30, 2008, the County, through the Office of the Citizens' Independent Transportation Trust (OCITT), remitted \$4.4 million in Transit Surtax proceeds for Palmetto Bay 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. Surtax funds must be spent or appropriated in the year of receipt. 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 25, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), as Amended on July 10, 2007, Palmetto Bay was not required to report budgeted FY 2002 General Fund transportation support or Maintenance of Effort (MOE) as the municipality was incorporated in September 2002. Nonetheless, annual reports of qualifying expenditures were not submitted to the OCITT, during the audit period (Table I).

Table I
Surtax Proceeds and Expenditures Reported
For the Six Fiscal Years Ended September 30, 2008

Description	Fiscal Year Ended						All Years
	9/30/03	9/30/04	9/30/05	9/30/06	9/30/07	9/30/08	
Surtax Proceeds	\$ 459,612	\$ 704,246	\$ 745,086	\$ 824,252	\$ 823,908	\$ 807,842	\$ 4,364,946
Reported Surtax Uses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Source: OCITT and Palmetto Bay

SUMMARY RESULTS

Using claimed transit and transportation-related expenditures provided while the audit was underway totaling \$3.6 million, we determined that Palmetto Bay was unable to expend \$1.8 million, or 41% of the \$4.4 million in Transit Surtax receipts, which are subject to recapture (Table II). Palmetto Bay also did not consistently adhere to reporting requirements outlined in the Interlocal Agreement, as Amended.

These and other findings, together with Palmetto Bay’s response (Attachment I) are presented in the remainder of this report. Palmetto Bay has expressed concern regarding the criteria our auditors have applied in disallowing claimed expenditures and recommending that unspent funds be recaptured, citing that official, clear and consistent guidelines were unavailable. We respectfully disagree as OCITT has provided much guidance through the issuance of Question and Answer advisories primarily during workshops that were held to assist municipalities in the appropriate administration of Transit Surtax funds. This technical guidance included the timeframe in which funds should be spent and criteria for determining the eligibility of landscaping costs. Thus, we reaffirm the accuracy of our findings.

We appreciate the courtesies and assistance extended to our staff during the audit process. A written response from OCITT is requested within 30 days, in accordance with Administrative Order 3-7. Please contact me at 305-349-6100, if you have any questions.

FINDINGS AND RECOMMENDATIONS

Use of Surtax Proceeds

Although Palmetto Bay did not report Surtax project expenditures to OCITT as required, Management did provide listings of claimed qualifying expenditures totaling \$3.6 million (Schedule II). Our review of those expenditures disclosed \$483,306 that was ineligible and/or lacked proper supporting documentation, and thus were disallowed (Schedule III). After adjusting claimed expenditures for the disallowed costs, we determined that Palmetto Bay was unable to expend \$1.8 million on eligible transit and transportation-related projects (Table II). As previously mentioned, Palmetto Bay does not report any MOE due to their incorporation in September 2002.

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

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Surtax Proceeds	\$ 459,612	\$ 704,246	\$ 745,086	\$ 824,252	\$ 823,908	\$ 807,842	\$ 4,364,946
Surtax Uses:							
Transit Expenditures Claimed	\$ -	\$ -	\$ 33,180	\$ 152,661	\$ 250,689	\$ 235,134	\$ 671,664
Ineligible/Unsupported Expenditures (Schedule III)	-	-	-	-	-	(63,498)	(63,498)
Transit Expenditures, as Adjusted	\$ -	\$ -	\$ 33,180	\$ 152,661	\$ 250,689	\$ 171,636	\$ 608,166
Transportation Expenditures Claimed	\$ 31,481	\$ 485,750	\$ 300,248	\$ 272,587	\$ 1,312,385	\$ 501,150	\$ 2,903,601
Ineligible/Unsupported Expenditures (Schedule III)	(13,685)	(84,446)	(54,073)	(56,513)	(211,091)	-	(419,808)
Transportation Expenditures, as Adjusted	\$ 17,796	\$ 401,304	\$ 246,175	\$ 216,074	\$ 1,101,294	\$ 501,150	\$ 2,483,793
AMS Analysis:							
Transit Expenditures							
Required 20% Transit Minimum ¹	\$ 91,922	\$ 140,849	\$ 149,017	\$ 164,850	\$ 164,782	\$ 161,568	\$ 872,988
Qualifying Transit Expenditures Applied	-	-	(33,180)	(152,661)	(250,689)	(171,636)	(608,166)
Unused (Excess) Funds	\$ 91,922	\$ 140,849	\$ 115,837	\$ 12,189	\$ (85,907)	\$ (10,068)	\$ 264,822
Transportation-Related Expenditures							
Remaining 80% Balance ¹	\$ 367,690	\$ 563,397	\$ 596,069	\$ 659,402	\$ 659,126	\$ 646,274	\$ 3,491,958
Excess Transit Expenditures Applied ²	-	-	-	-	(85,907)	(10,068)	(95,975)
Qualifying Transportation Expenditures Applied	(17,796)	(401,304)	(246,175)	(216,074)	(573,219)	(501,150)	(1,955,718)
Unused Funds	\$ 349,894	\$ 162,093	\$ 349,894	\$ 443,328	\$ -	\$ 135,056	\$ 1,440,265
Recommended Disallowances:							
Transit	\$ 91,922	\$ 140,849	\$ 115,837	\$ 12,189	\$ -	\$ -	\$ 360,797
Transportation	349,894	162,093	349,894	443,328	-	135,056	1,440,265
	\$ 441,816	\$ 302,942	\$ 465,731	\$ 455,517	\$ -	\$ 135,056	\$ 1,801,062

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.

² Excess transit expenditures may be used to offset available transportation funds.

Since July 2008, two of three IBuses purchased for the transit circulator operation now sit idle in the Village Hall parking lot, as one of three planned bus routes was never implemented. Management has stated that the idle buses are used as spares, except that one bus was leased on a short-term basis to the Town of Cutler Bay in December 2008 and January 2009. We also noted that ridership is very low on the one bus remaining in service.

Recommendation

OCITT should recapture or withhold \$1.8 million from subsequent remittances. Further, unless ridership improves, the continued use of Surtax proceeds to fund the transit circulator operation should be re-evaluated or shifted to more effective uses.

Certification and Reporting Requirements

Annually, Palmetto Bay is required to submit reports of qualifying expenditures, a certified copy of the budget, a Five-Year Transportation Plan and a certification letter stating that Surtax funds were used in accordance with the terms of the Interlocal Agreement, as Amended. Not all reports were on file at OCITT at the time of our review. Nonetheless, we obtained them from Palmetto Bay noting that the annual certification letters omitted the required affirmation that surtax funds received had been used in accordance with the Interlocal Agreement. Further, the Five-Year Transportation Plan was not very detailed and a few reporting errors were identified.

Recommendation

- OCITT should establish formal record-keeping procedures to ensure that municipalities' annual reports are submitted on time, and maintained for subsequent review or audit.
- OCITT should require more detail and accurate reporting in the Five-Year Transportation Plan. Further, plans should be reviewed for content and eligibility of planned projects, and compared against projects realized to determine credibility of reporting.
- OCITT should consider withholding funding if reports are incomplete or delinquent.

CJ:ag

Attachments

c: Honorable Harvey A. Ruvin, Clerk of the Courts
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
Ron E. Williams, Village Manager, Village of Palmetto Bay

**Charter County Transit System Surtax
Summary of Payments to Municipalities
For the Six Fiscal Years Ended September 30, 2008**

Municipality	Fiscal Year Ended September 30,						Total
	2003	2004	2005	2006	2007	2008	
City of Aventura	\$ 495,408	\$ 759,096	\$ 818,788	\$ 933,612	\$ 947,021	\$ 946,296	\$ 4,900,221
Town of Bal Harbour Village	62,707	96,085	99,550	112,832	105,834	95,526	572,534
Town of Bay Harbor Islands	96,989	148,613	155,936	172,145	173,190	167,339	914,212
Village of Biscayne Park	62,045	95,070	104,750	117,666	110,586	106,676	596,793
City of Coral Gables	810,009	1,241,148	1,298,953	1,467,752	1,480,710	1,426,754	7,725,326
Village of El Portal	47,795	73,232	76,045	84,400	84,367	82,000	447,839
City of Florida City	153,748	235,582	254,464	288,454	291,983	295,447	1,519,678
Town of Golden Beach	17,511	26,830	27,952	32,999	24,732	7,016	137,040
City of Hialeah	4,382,718	6,715,483	7,014,990	7,730,686	7,656,151	7,336,976	40,837,004
City of Hialeah Gardens	373,801	572,763	604,331	676,565	681,956	657,921	3,567,337
City of Homestead	621,791	952,745	1,051,671	1,208,129	1,275,853	1,387,011	6,497,200
Indian Creek Village	625	955	931	1,093	-	-	3,604
Village of Key Biscayne	202,733	310,644	333,638	369,378	379,639	368,354	1,964,386
Town of Medley	21,186	32,464	33,963	37,170	37,616	41,385	203,784
City of Miami	6,905,410	10,580,915	11,208,930	12,562,541	12,855,629	12,574,719	66,688,144
City of Miami Beach	1,686,079	2,583,517	2,719,756	3,029,839	3,108,056	2,960,734	16,087,981
Town of Miami Lakes	460,331	705,348	737,093	822,002	822,114	876,926	4,423,814
Village of Miami Shores	197,655	302,860	313,826	346,278	348,437	335,963	1,845,019
City of Miami Springs	259,738	397,985	412,534	456,196	459,353	440,937	2,426,743
City of North Bay Village	126,762	194,231	198,770	218,913	215,921	186,169	1,140,766
City of North Miami	1,136,965	1,742,129	1,805,505	1,989,253	2,004,095	1,919,328	10,597,275
City of North Miami Beach	799,300	1,224,740	1,267,423	1,402,019	1,366,735	1,307,355	7,367,572
City of Opa-Locka	291,102	446,045	468,652	533,416	513,020	497,615	2,749,850
Village of Palmetto Bay	459,612	704,246	745,086	824,252	823,908	807,842	4,364,946
Village of Pinecrest	361,540	553,977	579,684	639,364	646,631	627,523	3,408,719
City of South Miami	203,889	312,415	323,655	360,476	351,494	338,279	1,890,208
City of Sunny Isles Beach	293,299	449,411	486,866	548,772	555,020	582,250	2,915,618
Town of Surfside ¹	95,908	146,959	157,799	184,160	144,185	223,419	952,430
City of Sweetwater	270,238	414,075	429,218	472,215	477,595	458,867	2,522,208
Village of Virginia Gardens	44,592	68,325	70,576	77,979	78,619	76,184	416,275
City of West Miami	113,307	173,613	185,212	202,961	194,190	184,561	1,053,844
	<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>\$ 37,317,372</u>	<u>\$ 200,738,370</u>

Source: Office of Citizens' Independent Transportation Trust

¹ Payments for FY2008 include a \$42,361 disbursement that was withheld in FY2007.

Charter County Transit Surtax - Village of Palmetto Bay
Listing of Claimed Surtax Projects
For the Six Fiscal Years Ended September 30, 2008

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Transit Projects							
Planning & Engineering	\$ -	\$ -	\$ 33,180	\$ 3,271	\$ 4,500	\$ -	\$ 40,951
Transit Circulator Operation	-	-	-	25,107	164,218	137,653	326,978
Vehicle Operation	-	-	-	3,575	18,869	24,863	47,307
IBuses	-	-	-	120,708	63,102	-	183,810
Capital Improvements (Sidewalk)	-	-	-	-	-	72,618	72,618
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,180</u>	<u>\$ 152,661</u>	<u>\$ 250,689</u>	<u>\$ 235,134</u>	<u>\$ 671,664</u>
Transportation Projects							
Debt Repayment, Principal and Interest (Street Sign Replacement Program)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 269,460	\$ 269,460
Street Signs ¹	-	-	-	1,494	251,611	-	253,105
Sub-Total	-	-	-	1,494	251,611	269,460	522,565
Planning & Engineering (Flood Control/Stormwater Management)	-	-	-	30,125	-	-	30,125
Planning & Engineering (Drainage)	-	-	-	-	44,141	-	44,141
Stormwater Repair & Maintenance (Drainage Improvements)	-	-	-	-	223,600	-	223,600
Stormwater Repair & Maintenance (Drainage Maintenance)	-	-	26,199	60,918	72,379	-	159,496
Planning & Engineering (Transportation)	8,500	66,487	68,612	51,565	25,514	-	220,678
Planning & Engineering (Traffic Calming)	-	-	-	-	-	22,472	22,472
Traffic Calming	-	-	-	-	478,792	139,454	618,246
Repair & Maintenance Facilities	-	26,442	-	-	-	-	26,442
Right-of-Way / Swale Maintenance	-	31,146	2,205	5,090	300	-	38,741
Road & Street Improvements	-	298,156	165,978	-	174,853	29,372	668,359
Machinery & Equipment (Vehicles)	-	28,307	-	52,327	-	-	80,634
Machinery & Equipment (Equipment)	-	-	-	29,675	-	-	29,675
General Supplies	-	-	-	180	-	-	180
Administrative Expenses (Limited to 5% of Surtax Proceeds)	22,981	35,212	37,254	41,213	41,195	40,392	218,247
	<u>\$ 31,481</u>	<u>\$ 485,750</u>	<u>\$ 300,248</u>	<u>\$ 272,587</u>	<u>\$ 1,312,385</u>	<u>\$ 501,150</u>	<u>\$ 2,903,601</u>
Grand Total	<u>\$ 31,481</u>	<u>\$ 485,750</u>	<u>\$ 333,428</u>	<u>\$ 425,248</u>	<u>\$ 1,563,074</u>	<u>\$ 736,284</u>	<u>\$ 3,575,265</u>

Source: Palmetto Bay's Profit and Loss Detail

¹ Expenditures were not financed by the Note Purchase and Loan Agreement that was issued to fund Palmetto Bay's Street Sign Replacement Program.

**Charter County Transit Surtax - Village of Palmetto Bay
Adjustments for Ineligible/Unsupported Claimed Surtax Expenditures
For the Six Fiscal Years Ended September 30, 2008**

Description	Fiscal Year Ended September 30,						Total
	2003	2004	2005	2006	2007	2008	
Transit Expenditures							
Capital Improvements (Sidewalk) ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,498	\$ 63,498
Transportation Expenditures							
Repair & Maintenance Facilities ²	-	26,442	-	-	-	-	26,442
Right-of-Way / Swale Maintenance ²	-	31,146	2,205	240	300	-	33,891
Road & Street Improvements ¹	-	22,518	51,868	-	-	-	74,386
Machinery & Equipment (Vehicles) ^{3,4}	-	4,340	-	26,598	-	-	30,938
Machinery & Equipment (Equipment) ⁵	-	-	-	29,675	-	-	29,675
Administrative Expenses ⁶	13,685	-	-	-	-	-	13,685
	13,685	84,446	54,073	56,513	300	-	209,017
Unexpended Charges for Services, Stormwater Management Fund ⁷	-	-	-	-	210,791	-	210,791
Sub-Total, Transportation Expenditures	<u>13,685</u>	<u>84,446</u>	<u>54,073</u>	<u>56,513</u>	<u>211,091</u>	<u>-</u>	<u>419,808</u>
Grand Total	<u>\$ 13,685</u>	<u>\$ 84,446</u>	<u>\$ 54,073</u>	<u>\$ 56,513</u>	<u>\$ 211,091</u>	<u>\$ 63,498</u>	<u>\$ 483,306</u>

Source: Palmetto Bay's Profit and Loss Detail and Vendor Invoices

¹ The projects involved sidewalk repairs which were not part of a larger road improvement project and did not provide Americans with Disabilities Act accessibility to a bus stop.

² Lawn and swale maintenance, as well as trash removal are not eligible uses of Surtax proceeds.

³ Palmetto Bay was unable to provide documentation to substantiate the use of trailers purchased in FY2004 on transit/transportation related projects.

⁴ A crew cab truck was purchased in FY2006, however, it is primarily used by the Community Services Department for unrelated projects.

⁵ Palmetto Bay was unable to provide documentation substantiating use of the chipper on transit/transportation related projects.

⁶ As Surtax Proceeds are received, Palmetto Bay allocates 5% to the General Fund for administrative expenses which is the maximum allowed. However, administrative expenses for FY2003 were calculated by AMS as \$9,296 or \$13,685 less than what was allocated to the General Fund.

⁷ Palmetto Bay's Stormwater Utility program became operational in FY2007, and total unspent funds in the Stormwater Management Fund was \$210,791 for the same year. Thus, total Stormwater and drainage expenditures claimed during FY2007 are being reduced by \$210,791.



VILLAGE OF PALMETTO BAY

VILLAGE MANAGER
RON E. WILLIAMS

May 14, 2009

Ms. Cathy Jackson
Miami-Dade County
Audit & Management Services Department
One SE Third Ave., Suite 1100
Miami, FL 33131

RE: Village of Palmetto Bay – CITT Audit

Dear Ms Jackson:

Please consider this letter as the Village of Palmetto Bay's response to your findings contained in the Village's CITT audit. The Village respectfully requests that our comments be included in your final report.

Firstly, the Village of Palmetto Bay does not agree with the disallowance of unused funds from annual allocations for the Transportation portion. The CITT does not have, nor does the interlocal agreement reference any administrative source document, to which a recipient can look to for guidance on this issue. Instead updates are distributed if you happen to attend the annual workshop or only verbally authorized when a request is made. The Village of Palmetto Bay did not receive specific direction on this issue until the Village finally received a June 2008 Q&A update. Note that this is clearly five years into the program. The Village would have made changes earlier if such an important change was indicated in an amended interlocal.

Even though the Village is now aware of the new requirements identified and put forth in the June 2008 Q&A and is complying, it is not practical or financially prudent to apply them as written. The rule goes against all governmental conventions for caution and protection against over spending of available funds. Requiring the spending or encumbrance of all funds in the year immediately following the year of receipt, would be much more financially feasible and practical.

Comments to Notes:

1. The Village clearly believes that funding used for sidewalk repairs in 2008 are eligible expenditures and in accordance with municipal workshop Q&A item #5. The multi-year response from CITT administrators regarding sidewalk repairs has been, as long as the

sidewalk installation or repair is part of a larger roadway improvement project or necessary to provide accessibility (ADA) to bus stops it is eligible to be funded with surtax funds. The office of CITT has not administratively provided municipalities with unambiguous specifications for sidewalk repairs as it relates to the distance from a bus stop to a sidewalk in need of repair. This item has been discussed in detail at several municipal workshops. Municipalities have continually questioned how close a repair or sidewalk installation had to be from a bus stop in order to be eligible and the response has always been, "as long the sidewalk repair / installation was within a block or two of the bus stop" then it was eligible. The Village expended transit surtax funds on sidewalk repairs in accordance with statements made by CITT staff and in accordance with CITT documented use and expenditure of surtax guidelines. To confirm compliance with CITT requirements for expending surtax dollars, the Village through due diligence requested and received approval for sidewalk improvements prior to allocating transit surtax funds in 2008. The Village does not concur with the audit recommendation to disallow the expenditure of transit surtax funds for Village sidewalk repairs performed in 2008. The denial of funding is not substantiated in any documents (interlocal agreements, ordinance or statues) administered by CITT.

2. As indicated by the May 2004 Q&A, item 12, swale and row maintenance equipment is an acceptable Surtax purchase, which implies swale and row maintenance is allowed. Subsequent Q&A's released by CITT administration has similar items to the May 2004 item but is silent on swale and row equipment but does not specifically disallow it.

3. The sole purpose of all equipment used in Public Works is for transportation and roadway projects. The Village was never informed that logs were required for equipment use.

4. Documentation received by Finance was not clear as to the assignment of the vehicles and the vehicle was erroneously charged to CITT. These funds have been reimbursed to CITT.

5. See Note 3.

6. There has been no specific direction on the administrative allowance other than the amount. The Village carried unused funds forward to subsequent years.

7. Surtax proceeds may be expended for Drainage improvements as specified in 212.055(1)(d)1-3 Fla. Stats. (2001). The Village used CITT expenditures for eligible drainage improvements from FY2003-FY2006. The Village established its own Stormwater Utility program in FY2006 to fund capital improvement projects associated with drainage system upgrades. The stormwater utility program became operational in FY2007 at which time the Village began to use revenue collected from the Village's stormwater utility fee to fund capital improvement projects associated with drainage system upgrades. These funds are also used to match State of Florida Stormwater Grant awards. Whereas, there are no provisions in the interlocal agreement or any other document that stipulates how funding is to be disbursed when there is more than one

source of funding allocated in a Fiscal Year for a capital improvement project. The Village rejects AMS' finding of \$210,791 of drainage expenditures as ineligible, as AMS used subjectivity in making the finding and not a substantiated directive. This issue gets to the point of: if an expenditure is eligible, "it is eligible".

8. In accordance with municipal workshop Q&A question no. 12; municipalities may utilize its surtax proceeds from its eligible share of transportation share for street signs. The Village allocated CITT funds in FY2006 and FY2007 to plan, develop, and install municipal street signage. CITT transportation funding was used at the onset of the project but was insufficient to support the sign replacement program in its entirety. The Village purchased a bond to fund the residual street sign replacements in FY 2007.

As to the AMS comment regarding the Village's non-compliance with the annual certification, please note that this is a new requirement as of the amended interlocal dated July 2007. Prior to that, the original interlocal only required submission of a budget and the five year projection.

A second item mentioned by AMS is that the Village has not submitted actual expenditures for each year. This is a new requirement as of the amended interlocal dated July 2007. Prior to the amendment annual financial audits were submitted to CITT as requested.

In general the Village sees three areas of the CITT audit that have caused this and other municipalities unnecessary concern. The first is that the auditors are using criteria that is not in the interlocal and have not been uniformly distributed to the municipalities in a timely manner. Secondly, the auditors have not taken into account that the interlocal was amended, which in some cases added or changed requirements. Lastly, there is not an official, clear and consistent administrative guide which provides specifics on how to manage funds received. This official guidance document should be consistent and current with the interlocal agreements signed by all parties. The absence of these required administrative tools makes this audit process difficult, if not impossible, to result in accurate and fair conclusions.

Sincerely,



Ron E. Williams
Village Manager