Memorandum

MIAMI-DADE COUNTY

Date: July 29, 2008

To: Nan Markowitz, 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 – City of North Bay Village

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PURPOSE AND SCOPE

As requested, we reviewed the City of North Bay Village'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 City of North Bay Village (NBV) is a three-island community situated along the John F. Kennedy (79th Street) Causeway between the cities of Miami on the West and Miami Beach on the East, in Miami-Dade County. NBV is governed by an elected Mayor and four Commission Members. The City Manager, as appointed by the Commission, 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 $955,000 in Transit Surtax proceeds for NBV 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 September 8, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), NBV reported $25,327 as its budgeted FY2002 General Fund transportation support level, or Maintenance of Effort (MOE). During the five years ended September 30, 2007, NBV also reported spending Surtax proceeds of $559,325 on eligible transit and transportation-related projects (Table I).

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

	Fiscal Year Ended September 30,					
Description	**2003**	**2004**	**2005**	**2006**	**2007**	**All Years**
Maintenance of Effort (MOE)	$ 25,327	$ 25,327	$ 25,327	$ 25,327	$ 25,327	$ 126,635
Surtax Proceeds	$ 126,762	$ 194,231	$ 198,770	$ 218,913	$ 215,921	$ 954,597
Surtax Uses						
Transit Expenditures	$ -	$ 6,509	$ 54,100	$ 50,206	$ 105,684	$ 216,499
Transportation Expenditures	-	112,511	131,437	41,918	56,960	342,826
	$ -	$ 119,020	$ 185,537	$ 92,124	$ 162,644	$ 559,325

Source: OCITT and NBV

SUMMARY RESULTS

As previously mentioned, NBV received $954,597 in Transit Surtax funds during the audit period, and reported using Surtax Proceeds of $559,325 on eligible transit and transportation projects. Although NBV officials reported $25,327 as its FY2002 MOE, our auditors identified an additional $29,921 in the Adopted Budget that was not reported (Table II). Using the updated MOE, we determined that $408,579 (43%) of Surtax proceeds was not spent on eligible projects that should be recaptured if NBV officials are unable to resolve our findings within a reasonable time period (Table III). Moreover, future remittances should be withheld until NBV officials certify the amended MOE.

Further, NBV could not provide our auditors with certain annual reports required by the Interlocal Agreement. 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

NBV reported its FY2002 MOE as $25,327. 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 additional transit and transportation projects totaling $29,921 in NBV's FY2002 General Fund Budget that should have been reported as MOE, as detailed below.

Table II
FY 2002 General Fund Maintenance of Effect

Description	Budget	Actual
Transit		
Bus Driver	$ 16,748	$ 9,396
Bus Operating Expenses	4,500	2,882
Transportation		
Street Lighting	29,000	31,383
Road Repairs	5,000	7,910
MOE per FY2002 Budget	55,248	$ 51,571
Less: Reported MOE	(25,327)	
Understated Amount	$ 29,921	

Source: NBV FY2002 Budget and General Ledger

Recommendation

Require NBV to certify a revised MOE within 30 days or withhold future disbursements. At a minimum, the certified MOE should be $55,248 as identified above.

Use of Surtax Proceeds

The preliminary results of our audit revealed that NBV did not expend or appropriate all of its Surtax Proceeds on eligible projects. Although Village officials identified additional expenditures totaling $262,933, which reduced our initial estimate of disallowances, NBV was not able to fully use $408,579 for transit and transportation-related projects (Table III).

Table III
Transit Surtax Funds Recommended for Recapture

Description	Fiscal Year Ended 9/30/03	9/30/04	9/30/05	9/30/06	9/30/07	All Years
Surtax Proceeds	$ 126,762	$ 194,231	$ 198,770	$ 218,913	$ 215,921	$ 954,597
Expenditures Applied Against Proceeds:						
Reported Transit Expenditures	$ -	$ 6,509	$ 54,100	$ 50,206	$ 105,684	$ 216,499
Additional Claimed Transit Expenditures	11,781	18,897	-	-	-	30,678
Reported Transportation Expenditures	-	112,511	131,437	41,918	56,960	342,826
Additional Claimed Transportation Expenditures	46,741	45,289	45,826	47,952	46,447	232,255
Total Expenditures	58,522	183,206	231,363	140,076	209,091	822,258
Less: Reported MOE	(25,327)	(25,327)	(25,327)	(25,327)	(25,327)	(126,635)
AMS Adjustment to MOE (Table II)	(29,921)	(29,921)	(29,921)	(29,921)	(29,921)	(149,605)
MOE, as Corrected	(55,248)	(55,248)	(55,248)	(55,248)	(55,248)	(276,240)
Allowable Expenditures to be Applied	$ 3,274	$ 127,958	$ 176,115	$ 84,828	$ 153,843	$ 546,018
AMS Analysis:						
Required 20% Transit Minimum [1]	$ 25,352	$ 38,846	$ 39,754	$ 43,783	$ 43,184	$ 190,919
Surtax Proceeds Applied	(3,274)	(38,846)	(39,754)	(43,783)	(43,184)	(168,841)
Unused Funds	$ 22,078	$ -	$ -	$ -	$ -	$ 22,078
Remaining 80% Balance [1]	$ 101,410	$ 155,385	$ 159,016	$ 175,130	$ 172,737	$ 763,678
Surtax Proceeds Applied	-	(89,112)	(136,361)	(41,045)	(110,659)	(377,177)
Unused Funds	$ 101,410	$ 66,273	$ 22,655	$ 134,085	$ 62,078	$ 386,501
Recommended Disallowances:						
Required 20% Transit Minimum	$ 22,078	$ -	$ -	$ -	$ -	$ 22,078
Required 80% Balance	101,410	66,273	22,655	134,085	62,078	386,501
Total	$ 123,488	$ 66,273	$ 22,655	$ 134,085	$ 62,078	$ 408,579

[1] At least 20% of Transit 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 $408,579 from subsequent remittances.

Certification and Reporting Requirements

NBV 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, but the 2005 and 2006 Plans were not available. There were no annual reports of qualifying expenditures.

Recommendation

- NBV 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 Llort, Assistant County Manager
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management
Charles Anderson, Commission Auditor
Jorge Forte, City Manager, City of North Bay Village

Schedule I

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, 2003	2004	2005	2006	2007	Total
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
	$ 21,054,793	$ 32,261,501	$ 33,986,547	$ 37,903,517	$ 38,214,640	$ 163,420,998

Source: Citizens' Independent Transportation Trust

Schedule II

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

Description	Fiscal Year Ended September 30, 2003	2004	2005	2006	2007	All Years
Transit Projects						
As Reported:						
Bus Driver	$ -	$ -	$ 21,007	$ 38,733	$ 39,567	$ 99,307
Bus Operating Expenses	-	-	8,918	11,473	5,846	26,237
Bus Acquisition	-	-	-	-	60,271	60,271
Bus Equipment Acquisition- Commercial Lift	-	6,509	2,675	-	-	9,184
Traffic Studies	-	-	21,500	-	-	21,500
	-	6,509	54,100	50,206	105,684	216,499
Additional Claimed Expenditures:						
Bus Driver	9,591	16,707	-	-	-	26,298
Bus Operating Expenses	2,190	2,190	-	-	-	4,380
	11,781	18,897	-	-	-	30,678
Total Transit Projects	$ 11,781	$ 25,406	$ 54,100	$ 50,206	$ 105,684	$ 247,177
Transportation Projects						
As Reported:						
Street Repairs	$ -	$ 112,511	$ 56,437	$ 41,918	$ 53,960	$ 264,826
Street Sweeper Acquisition	-	-	75,000	-	-	75,000
Administrative Expenses	-	-	-	-	3,000	3,000
	-	112,511	131,437	41,918	56,960	342,826
Additional Claimed Expenditures:						
Street Repairs	7,081	-	-	-	-	7,081
Street Lights	33,322	35,577	35,888	37,006	38,651	180,444
Administrative Expenses	6,338	9,712	9,938	10,946	7,796	44,730
	46,741	45,289	45,826	47,952	46,447	232,255
Total Transportation Projects	$ 46,741	$ 157,800	$ 177,263	$ 89,870	$ 103,407	$ 575,081
Grand Total	$ 58,522	$ 183,206	$ 231,363	$ 140,076	$ 209,091	$ 822,258