

Memorandum



Date: September 10, 2009

To: Charles D. Scurr, 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 –
City of Sunny Isles Beach

PURPOSE AND SCOPE

As requested, we reviewed the City of Sunny Isles Beach's 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

The City of Sunny Isles Beach (the City) is located on a barrier island in the Northeast corner of Miami-Dade County, bounded by the Atlantic Ocean on the East and the Intracoastal Waterway on the West. Golden Beach lies to the North, Bal Harbour and Haulover Park are immediately to the South. The City operates under a Commission-Manager form of government. The Mayor and four-member City Commission establishes policy, enacts legislation and adopts budgets. During the six-year period ended September 30, 2008, the County, through the Office of the Citizens' Independent Transportation Trust (OCITT), remitted \$2.9 million in Transit Surtax proceeds for the City 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 22, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), as Amended and approved by the City Commission on April 19, 2007, the City reported its budgeted FY2002 General Fund transportation support level, or Maintenance of Effort (MOE) as \$92,000 (Table I).

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

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Maintenance of Effort (MOE)	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 92,000	\$ 552,000
Surtax Proceeds	\$ 293,299	\$ 449,411	\$ 486,866	\$ 548,772	\$ 555,020	\$ 582,250	\$ 2,915,618

Source: OCITT and the City of Sunny Isles Beach

SUMMARY RESULTS

During the audit period, the City received \$2.9 million in Transit Surtax funds but did not report how it used those proceeds to OCITT as required. Instead, City Management provided a listing of claimed transit and transportation expenditures to our auditors totaling \$4.2 million (Schedule II). Although the City reported \$92,000 as its MOE, our auditors identified an additional \$37,926 in the FY 2002 Budget (Table II). Using the revised MOE, we determined the City was unable to expend \$139,075 in Transit Surtax proceeds, which may be subject to recapture. Alternatively, amounts may be eligible for rollover which will allow spending of the proceeds in subsequent years, using the recently revised guidelines approved by Members of the Citizens' Independent Transportation Trust, pending Board of County Commissioners acceptance (Table III).

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 copy of this report is being submitted to the City of Sunny Isles Beach under separate cover, requesting a written response within 30 days in accordance with Administrative Order 3-7. Please contact Jacqueline Williams, Audit Manager, at 305-349-6100 if you have any questions.

FINDINGS AND RECOMMENDATIONS

General Fund Support

The City reported \$92,000 as its FY 2002 MOE however, we identified an additional \$37,926 related to the existing Community Shuttle Bus operation, as well as street lighting projects (Table II). Since municipalities are required to apply Transit Surtax proceeds to supplement, rather than replace, the 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.

**Table II
FY 2002 General Fund MOE**

Description	Maintenance of Effort (MOE)		
	Reported	Adjustments	Corrected
Transit MOE			
Bus Driver Salaries and Costs	\$ 72,000	\$ 12,593	\$ 84,593
Bus Maintenance	6,000	-	6,000
Fuel and Oil	4,000	-	4,000
Tires	-	333	333
Sub-Total	82,000	12,926	94,926
Transportation MOE			
Street Lighting	-	25,000	25,000
Road Repairs	10,000	-	10,000
Sub-Total	10,000	25,000	35,000
Total	\$ 92,000	\$ 37,926	\$ 129,926

Source: City of Sunny Isles Beach FY 2002 Adopted Budget

Recommendation

Require the City to certify the corrected MOE of \$129,926 within 30 days.

Use of Surtax Proceeds

The City provided our auditors with claimed transit and transportation-related expenditures totaling \$4.2 million (Schedule II). Using the corrected MOE, we determined the City was unable to expend \$139,075 of the Transit Surtax proceeds (Table III). Also, the majority of the City's FY 2003 records were destroyed in accordance with the Florida Department of State *General Records Schedule for State and Local Government Agencies* which limits the retention of detail records to 5 years. However, through alternative procedures, we were able to validate those FY 2003 claimed costs.

Table III
Analysis of the Usage of Transit Surtax Funds

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Surtax Proceeds	\$ 293,299	\$ 449,411	\$ 486,866	\$ 548,772	\$ 555,020	\$ 582,250	\$ 2,915,618
Surtax Uses:							
Claimed Transit Expenditures	\$ 143,818	\$ 497,739	\$ 184,687	\$ 422,668	\$ 455,817	\$ 470,263	\$ 2,174,992
Less: MOE, as Corrected	(94,926)	(94,926)	(94,926)	(94,926)	(94,926)	(94,926)	(569,556)
Net Expenditures	\$ 48,892	\$ 402,813	\$ 89,761	\$ 327,742	\$ 360,891	\$ 375,337	\$ 1,605,436
Claimed Transportation Expenditures	\$ 147,944	\$ 348,321	\$ 557,126	\$ 258,325	\$ 339,989	\$ 363,359	\$ 2,015,064
Less: MOE, as Corrected	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(210,000)
Net Expenditures	\$ 112,944	\$ 313,321	\$ 522,126	\$ 223,325	\$ 304,989	\$ 328,359	\$ 1,805,064
AMS Analysis:							
Required 20% Transit Minimum ¹	\$ 58,660	\$ 89,882	\$ 97,373	\$ 109,754	\$ 111,004	\$ 116,450	\$ 583,123
Net Expenditures Applied	(48,892)	(402,813)	(89,761)	(327,742)	(360,891)	(375,337)	(1,605,436)
Unused/(Excess) Transit Funds	\$ 9,768	\$ (312,931)	\$ 7,612	\$ (217,988)	\$ (249,887)	\$ (258,887)	\$ (1,022,313)
Remaining 80% Balance ¹	\$ 234,639	\$ 359,529	\$ 389,493	\$ 439,018	\$ 444,016	\$ 465,800	\$ 2,332,495
Excess Transit Funds Applied ²	-	(312,931)	-	(217,988)	(249,887)	(258,887)	(1,039,693)
Net Transportation Expenditures	(112,944)	(46,598)	(389,493)	(221,030)	(194,129)	(206,913)	(1,171,107)
Unused Transportation Funds	\$ 121,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,695
Recommended Recapture or Rollover:							
Transit	\$ 9,768	\$ -	\$ 7,612	\$ -	\$ -	\$ -	\$ 17,380
Transportation	121,695	-	-	-	-	-	121,695
Total	\$ 131,463	\$ -	\$ 7,612	\$ -	\$ -	\$ -	\$ 139,075

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 and appropriations may be used to offset available transportation funds.

Recommendation

Recapture the \$139,075 or allow rollover in subsequent periods in accordance with recently approved Citizens' Independent Transportation Trust guidelines. Prospectively, the City should retain all records as required in the Revised Interlocal Agreement executed on April 19, 2007.

Certification and Other Requirements

The City could not provide our auditors certain annual reports, which included reports of qualifying expenditures, certification letters for FY 2003 through 2007, and the Five-Year Transportation Plan for FY 2005. Moreover, the FY 2008 certification letter omitted the required affirmation that Transit Surtax funds had been used in accordance with the Interlocal Agreement, as Amended.

In FY 2008, the City established a separate account within the accounting system to track program expenditures as required in the Amended Interlocal Agreement. However, it includes only those costs related to the Community Shuttle Bus service. Other project expenditures are commingled within major funds, thus complicating the identification of transportation-eligible transactions.

Recommendation

- Prospectively, the City should submit all required reports to OCITT.
- OCITT should establish formal recordkeeping procedures to ensure municipalities' annual reports are submitted on time, and maintained for subsequent review or audit.
- OCITT should consider withholding funding if reports are incomplete or delinquent.
- Prospectively, accounting records should agree with reports of qualifying expenditures.

Signage

The Amended Interlocal Agreement requires the posting of a conspicuous sign at the job site, structure or vehicle if funded in whole, or in part, by Transit Surtax proceeds. We found no evidence of required signage on the existing Community Shuttle Buses.

Recommendation

Instruct the City to post the signage as required.

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
Rick Conner, City Manager, City of Sunny Isles Beach

**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 System Surtax - City of Sunny Isles Beach
Schedule of Qualifying Transit Surtax Expenditures
For the Six Fiscal Years Ended September 30, 2008

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Transit Expenditures							
Salaries (Bus Drivers)	\$ 67,425	\$ 72,967	\$ 132,950	\$ 179,377	\$ 227,980	\$ 253,886	\$ 934,585
Street Furniture (Bus Stop Furniture)	76,393	149,700	-	60,721	260,690	88,469	635,973
Bus Purchases	-	247,624	-	158,900	-	64,512	471,036
Fuel/Bus	-	10,542	21,208	15,608	20,367	58,205	125,930
Bus Maintenance and Tires	-	11,706	11,092	8,062	10,678	5,191	46,729
Insurance	-	-	19,437	-	-	-	19,437
Offset for Insurance Proceeds Received for Bus Loss	-	-	-	-	(63,898)	-	(63,898)
Crosswalk/ADA	-	5,200	-	-	-	-	5,200
	<u>143,818</u>	<u>497,739</u>	<u>184,687</u>	<u>422,668</u>	<u>455,817</u>	<u>470,263</u>	<u>2,174,992</u>
Transportation Expenditures							
Street Light Projects	-	197,840	276,041	102,290	149,847	-	726,018
Seawall/Pedestrian-Vehicle Bridge	-	78,669	274,018	-	8,427	271,858	632,972
Professional and Engineering Services	144,937	68,605	3,305	125,090	-	-	341,937
Street Sweeper	-	-	-	-	177,801	-	177,801
Traffic Signage	-	-	-	-	-	87,000	87,000
Road Repairs	-	-	-	27,155	-	-	27,155
Administrative Expenses	3,007	3,207	3,762	3,790	3,914	4,501	22,181
	<u>147,944</u>	<u>348,321</u>	<u>557,126</u>	<u>258,325</u>	<u>339,989</u>	<u>363,359</u>	<u>2,015,064</u>
Total	<u>\$ 291,762</u>	<u>\$ 846,060</u>	<u>\$ 741,813</u>	<u>\$ 680,993</u>	<u>\$ 795,806</u>	<u>\$ 833,622</u>	<u>\$ 4,190,056</u>

Source: City of Sunny Isles Beach Expense Ledger Detail Listings