

Memorandum



Date: January 27, 2010

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 –
Village of El Portal

PURPOSE AND SCOPE

As requested, we reviewed the Village of El Portal'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 Village of El Portal (the Village) is situated South of the Village of Miami Shores along Biscayne Boulevard and I-95 in Miami-Dade County. The Village operates under a Council-Manager form of government with a Mayor and four Council Members. The Village Manager is appointed by the Council and is responsible for day-to-day operations. During the six-year period ended September 30, 2008, the County, through the Office of the Citizens' Independent Transportation Trust (OCITT), remitted \$447,839 in Transit Surtax proceeds for the Village 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 3, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), as Amended July 10, 2007, the Village reported zero dollars for its budgeted FY 2002 General Fund transportation support level, or Maintenance of Effort (MOE).

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	
Surtax Proceeds	\$ 47,795	\$ 73,232	\$ 76,045	\$ 84,400	\$ 84,367	\$ 82,000	\$ 447,839
Maintenance of Effort (MOE)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Source: OCITT and the Village

SUMMARY RESULTS

During the audit period, the Village received \$447,839 in Transit Surtax funds but did not report how it used those proceeds to OCITT, as required. Instead, transportation-related expenditures were identified while fieldwork was underway totaling \$684,463. Further, the Village reported zero dollars as its MOE, however our auditors determined the amount should have been \$7,000 using the FY 2002 Budget. Using the revised MOE, we determined the Village was unable to expend \$212,277 (47%) of the \$447,839 in Transit Surtax proceeds which are subject to recapture. Alternatively, amounts may be eligible for rollover which will allow spending of the proceeds in subsequent years, using recently revised guidelines approved by Members of the Citizens' Independent Transportation Trust, pending Board of County Commissioners acceptance.

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 Village 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 Village reported zero dollars as its budgeted FY 2002 General Fund transportation support level, or MOE. However, our auditors identified \$7,000 in General Fund budget appropriations for street lighting utilities which are included in the General Fund, Electric, Gas and Water Budget appropriation (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	Budget
Electric, Gas and Water	\$ 10,000
Less: Ineligible Expenditures	3,000
Street Lighting Utilities	<u>\$ 7,000</u>

Source: Village FY 2002 Budget and Payments to Vendor Report

Recommendation

Require the Village to certify the corrected MOE of \$7,000 within 30 days.

Use of Surtax Proceeds

The Village did not submit reports detailing Transit Surtax project expenditures to OCITT as required. However, while fieldwork was underway transportation-related expenditures were identified totaling \$684,463 (Table III).

**Table III
 Summary of Surtax Expenditures**

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Transit Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation Expenditures							
Street Improvements - 87th Street Project	\$ 97,192	\$ 107,374	\$ 302,284	\$ -	\$ -	\$ -	\$ 506,850
Street Lighting	15,037	13,269	17,018	15,038	40,513	26,988	127,863
Street Maintenance/Repair	550	6,100	26,735	2,125	14,240	-	49,750
	<u>\$ 112,779</u>	<u>\$ 126,743</u>	<u>\$ 346,037</u>	<u>\$ 17,163</u>	<u>\$ 54,753</u>	<u>\$ 26,988</u>	<u>\$ 684,463</u>

Source: Village General Ledger Detail Reports

Although supporting documentation related to certain transactions prior to FY 2006 could not be provided, AMS performed alternate procedures to determine qualifying project expenditures. The Village was cited with similar record retention deficiencies, among others, as part of its Financial Statements audits for Fiscal Years Ended September 30, 2004 through 2006.

Notwithstanding, after applying claimed expenditures and using the corrected MOE, we determined the Village was unable to expend \$212,277 in Transit Surtax proceeds (Table IV).

Table IV
Analysis of the Use of Transit Surtax Funds

Description	Fiscal Year-Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Surtax Proceeds (Schedule I)	\$ 47,795	\$ 73,232	\$ 76,045	\$ 84,400	\$ 84,367	\$ 82,000	\$ 447,839
Surtax Uses:							
Transit Expenditures							
As Claimed (Table III)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation Expenditures							
As Claimed (Table III)	\$ 112,779	\$ 126,743	\$ 346,037	\$ 17,163	\$ 54,753	\$ 26,988	\$ 684,463
Less: MOE, as Corrected (Table II)	7,000	7,000	7,000	7,000	7,000	7,000	42,000
Net Expenditures, As Adjusted	\$ 105,779	\$ 119,743	\$ 339,037	\$ 10,163	\$ 47,753	\$ 19,988	\$ 642,463
AMS Analysis:							
Transit Expenditures							
Required 20% Transit Minimum ¹	\$ 9,559	\$ 14,646	\$ 15,209	\$ 16,880	\$ 16,874	\$ 16,400	\$ 89,568
Qualifying Transit Expenditures Applied	-	-	-	-	-	-	-
Unused Transit Funds	\$ 9,559	\$ 14,646	\$ 15,209	\$ 16,880	\$ 16,874	\$ 16,400	\$ 89,568
Transportation Expenditures							
Remaining 80% Balance ¹	\$ 38,236	\$ 58,586	\$ 60,836	\$ 67,520	\$ 67,493	\$ 65,600	\$ 358,271
Qualifying Transportation Expenditures Applied	(38,236)	(58,586)	(60,836)	(10,163)	(47,753)	(19,988)	(235,562)
Unused Transportation Funds	\$ -	\$ -	\$ -	\$ 57,357	\$ 19,740	\$ 45,612	\$ 122,709
Recommended Recapture or Rollover							
Transit	\$ 9,559	\$ 14,646	\$ 15,209	\$ 16,880	\$ 16,874	\$ 16,400	\$ 89,568
Transportation	-	-	-	57,357	19,740	45,612	122,709
	\$ 9,559	\$ 14,646	\$ 15,209	\$ 74,237	\$ 36,614	\$ 62,012	\$ 212,277

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.

Recommendation

Recapture the \$212,277 or allow for rollover in accordance with revised guidelines recently approved by Members of the Citizens' Independent Transportation Trust, pending acceptance by the Board of County Commissioners. Prospectively, the Village should retain all records as required in the Amended Interlocal Agreement executed July 10, 2007.

Certification and Reporting Requirements

The Village did not submit annual reports of its use of Transit Surtax proceeds, Budgets, Certification Letters, and Five-Year Transportation Plans for FY 2003, and FYs 2005 through FY 2008. Further, as required by the Amended Interlocal Agreement, the Village did not submit Quarterly Reports and Certified Reports of Proceeds Expended.

Recommendation

- Prospectively, the Village should submit all required reports to OCITT.
- 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 Llort, Assistant County Manager
Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management
Charles Anderson, Commission Auditor
Jason Walker, Village Manager, Village of El Portal

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

Municipality	Fiscal Year (FY) 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 the Citizens' Independent Transportation Trust

¹ Payments for FY 2008 include a \$42,361 disbursement that was withheld in FY 2007.