

Memorandum



Date: January 28, 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 –
City of Sweetwater

PURPOSE AND SCOPE

As requested, we reviewed the City of Sweetwater'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 Sweetwater (City) is bordered on the South by Southwest 8th Street, on the East by Southwest 102 Ave, on the West by the Florida Turnpike, and on the North by West Flagler Street and Northwest 7th Street. The City is governed by an elected Mayor, who is responsible for day-to-day operations, a Vice-Mayor and six Commissioners. During the six-year period ended September 30, 2008 the County, through the Office of the Citizens' Independent Transportation Trust (OCITT), remitted \$2.5 million in Transit Surtax proceeds for the City 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 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 City reported no amounts for its budgeted FY 2002 General Fund transportation support level, or Maintenance of Effort (MOE), as shown in 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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Surtax Proceeds	\$ 270,238	\$ 414,075	\$ 429,218	\$ 472,215	\$ 477,595	\$ 458,867	\$ 2,522,208

Source: OCITT and City of Sweetwater

SUMMARY RESULTS

During the audit period, the City received \$2.5 million in Transit Surtax funds but did not report how it used those proceeds to OCITT as required. Instead, City Management reported transit and transportation expenditures to our auditors of \$3.1 million, which was adjusted to \$1.7 million after deducting ineligible expenditures (Schedule II). Although the City reported no MOE, we identified \$129,095 of qualifying expenditures in the FY 2002 Budget (Table II) that should have been reported. Based on the foregoing, we determined the City was unable to expend \$1.5 million (60%) of the \$2.5 million in Transit Surtax receipts, 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.

These and other findings are more fully discussed in the remainder of this report. The City's written response is incorporated herein and the full text is presented as Attachment I. Overall, we are pleased with the City's response except as otherwise noted herein and the audit has been closed. Follow-up reviews will be conducted to assure that the City has been formally notified regarding recertification of the MOE, as well as resolution of the unspent funds. We appreciate the courtesies and assistance extended to our staff during the audit process. Please contact Nancy McKee, Deputy Director, at 305-349-6100 if you have any questions.

FINDINGS AND RECOMMENDATIONS

General Fund Support

The City reported zero dollars as its MOE, yet our review disclosed budgeted General Fund transit and transportation expenditures of \$129,095 in FY 2002 (Table II). Since municipalities are required to apply the 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.

Table II
FY 2002 General Fund MOE

Description	Budget	Actual
Street Lights	\$ 45,049	\$ 49,571
Salaries & Wages	74,046	77,859
Road Maintenance	10,000	9,496
	<u>\$ 129,095</u>	<u>\$ 136,926</u>

Source: City of Sweetwater FY 2002 Budget and General Ledger

Recommendation

Require the City to certify the corrected MOE within 30 days.

Auditee Response

The City agrees with the adjusted MOE of \$129,095, and we will use this amount going forward.

Use of Surtax Proceeds

Although the City did not submit reports detailing Transit Surtax project expenditures to OCITT as required, Management claimed transit (\$955,314) and transportation-related expenditures (\$2.1 million) totaling \$3.1 million (Schedule II). Our review of those expenditures disclosed \$1.3 million of ineligible salaries and wages, maintenance, and other costs. After adjusting claimed expenditures and using the corrected MOE, we determined the City was unable to expend \$1.5 million on eligible projects (Table III).

Table III
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)	\$ 270,238	\$ 414,075	\$ 429,218	\$ 472,215	\$ 477,595	\$ 458,867	\$ 2,522,208
Surtax Uses:							
Transit Expenditures							
As Claimed and Adjusted (Schedule II)	\$ 8,550	\$ 77,458	\$ 96,506	\$ 103,993	\$ 121,972	\$ 181,034	\$ 589,513
Transportation Expenditures							
As Claimed and Adjusted (Schedule II)	\$ 62,799	\$ 199,171	\$ 175,561	\$ 196,171	\$ 273,787	\$ 231,148	\$ 1,138,637
Less: MOE, as As Adjusted (Table II)	(129,095)	(129,095)	(129,095)	(129,095)	(129,095)	(129,095)	(774,570)
Net Transportation Expenditures, As Adjusted	\$ (66,296)	\$ 70,076	\$ 46,466	\$ 67,076	\$ 144,692	\$ 102,053	\$ 364,067
AMS Analysis:							
Transit Expenditures							
Required 20% Transit Minimum ¹	\$ 54,048	\$ 82,815	\$ 85,844	\$ 94,443	\$ 95,519	\$ 91,773	\$ 504,442
Net Expenditures Applied	(8,550)	(77,458)	(96,506)	(103,993)	(121,972)	(181,034)	(589,513)
Unused/(Excess) Transit Funds	\$ 45,498	\$ 5,357	\$ (10,662)	\$ (9,550)	\$ (26,453)	\$ (89,261)	\$ (85,071)
Transportation Expenditures							
Remaining 80% Balance ¹	\$ 216,190	\$ 331,260	\$ 343,374	\$ 377,772	\$ 382,076	\$ 367,094	\$ 2,017,766
Excess Transit Funds Applied ²	-	-	(10,662)	(9,550)	(26,453)	(89,261)	(135,926)
Net Transportation Expenditures Applied	-	(70,076)	(46,466)	(67,076)	(144,692)	(102,053)	(430,363)
Unused Transportation Funds	\$ 216,190	\$ 261,184	\$ 286,246	\$ 301,146	\$ 210,931	\$ 175,780	\$ 1,451,477
Recommended Recapture or Rollover:							
Transit	\$ 45,498	\$ 5,357	\$ -	\$ -	\$ -	\$ -	\$ 50,855
Transportation	216,190	261,184	286,246	301,146	210,931	175,780	1,451,477
	\$ 261,688	\$ 266,541	\$ 286,246	\$ 301,146	\$ 210,931	\$ 175,780	\$ 1,502,332

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.

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

Recommendation

Recapture the \$1.5 million 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.

Auditee Response

The City of Sweetwater would like to state that it has; at all times, used its surtax transit funding explicitly as indicated by CITT representatives and guidelines. Therefore, the City still has some strong discrepancies and disagreements with the final unused amount of \$1.5 million. There are some items that the City is convinced should be covered by this funding, such as the chipper truck and the garbage collection truck. The chipper truck is used to trim the trees off the road, and not just for beautification of the City. Similarly, the garbage collection truck is utilized to pick up trash at the City's bus stops. This function clearly supports transit in Sweetwater, given that these stops would not be viable and a danger to the citizenry if not properly serviced. The City also disagrees with the disallowance of percentages of salaries that are paid to employees that lend vital

support to that City's transit employees and system. Please take into account that some City employees who do not work directly in transit still play a pivotal role in the recruitment, hiring and support of the employees that do provide transit services. Additionally, the City was surprised to find out that sidewalks were disallowed – especially when taking into account that the City had identified sidewalks as a priority area in 5-year plans and in cost summaries submitted to the County.

We respectfully request that the City at least be permitted to rollover unused funds (rather than recapture).

AMS Rejoinder

AMS maintains that the subject landscaping, garbage collection, and sidewalk expenditures are not allowable uses of Surtax Proceeds. We did, however, allow the allocation of salaries for transit and transportation support personnel but disallowed non-support personnel. We reaffirm our recommendation that the OCITT either recapture the unused \$1.5 million or allow for rollover of such funds.

Certification and Reporting Requirements

The City did not submit required Certification Letters, certain Five-Year Transportation Plans, and Financial Recap Reports.

Recommendation

- The City should submit all required reports to OCITT as specified in the Interlocal Agreement and OCITT guidelines.
- OCITT should consider withholding funding if reports are incomplete or delinquent.

Auditee Response

The City agrees to prospectively submit all required reports on a timely manner.

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 posting on City Circulator buses.

Recommendation

The City should be instructed to comply with signage requirements.

Auditee Response

The City has already complied with the recommendation and the required signage has been placed in the shuttle bus.

CJ:zg

Attachments

- c: Honorable Harvey A. Ruvín, Clerk of the Courts
- Robert A. Cuevas, Jr., County Attorney
- George M. Burgess, County Manager
- Ysela Llort, Assistant County Manager
- Jennifer Glazer-Moon, Special Assistant/Director, Office of Strategic Business Management
- Charles Anderson, Commission Auditor
- Honorable Manuel Maroño, Mayor, City of Sweetwater

**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,						All Years
	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
	\$ 21,054,793	\$ 32,261,501	\$ 33,986,547	\$ 37,903,517	\$ 38,214,640	\$ 37,317,372	\$ 200,738,370

Source: Office of the Citizens' Independent Transportation Trust

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

**Charter County Transit System Surtax - City Of Sweetwater
Summary of Claimed Surtax Expenditures and Adjustments
For the Six Fiscal Years Ended September 30, 2008**

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
Claimed Transit Expenditures							
Salaries and Wages	\$ 30,796	\$ 149,435	\$ 179,380	\$ 189,718	\$ 169,645	\$ 100,420	\$ 819,394
Fuel	2,300	6,559	8,970	11,850	12,935	26,572	69,186
Purchase of New Circulator Bus	-	-	-	-	-	63,828	63,828
Mobile Phones	-	262	1,065	1,579	-	-	2,906
	<u>33,096</u>	<u>156,256</u>	<u>189,415</u>	<u>203,147</u>	<u>182,580</u>	<u>190,820</u>	<u>955,314</u>
Less Non-Transit Expenditures:							
Salaries and Wages - Police and Maintenance	(24,546)	(78,798)	(92,909)	(99,154)	(57,029)	(1,611)	(354,047)
Fuel for Maintenance Vehicles	-	-	-	-	(3,579)	(8,175)	(11,754)
	<u>(24,546)</u>	<u>(78,798)</u>	<u>(92,909)</u>	<u>(99,154)</u>	<u>(60,608)</u>	<u>(9,786)</u>	<u>(365,801)</u>
Claimed Transit Expenditures, As Adjusted	<u>\$ 8,550</u>	<u>\$ 77,458</u>	<u>\$ 96,506</u>	<u>\$ 103,993</u>	<u>\$ 121,972</u>	<u>\$ 181,034</u>	<u>\$ 589,513</u>
Claimed Transportation Expenditures							
Salaries and Wages	\$ 28,427	\$ 137,940	\$ 165,582	\$ 175,124	\$ 156,596	\$ 92,696	\$ 756,365
Street Lights	56,251	59,803	60,719	61,230	66,302	67,191	371,496
Maintenance Vehicles and Trucks	44,864	12,503	12,503	211,687	37,953	34,827	354,337
Repairs & Maintenance - Roads	75,728	21,248	34,793	40,843	78,961	49,855	301,428
Project Administration Fees ¹	-	19,200	20,160	20,664	21,119	24,631	105,774
Equipment	7,650	46,451	1,888	33,129	-	-	89,118
Repairs & Maintenance - Vehicles	-	7,942	18,141	21,369	16,428	18,852	82,732
General Liability Insurance	-	2,521	4,350	5,000	5,307	9,000	26,178
Uniforms	216	969	1,045	1,943	1,165	2,187	7,525
	<u>213,136</u>	<u>308,577</u>	<u>319,181</u>	<u>570,989</u>	<u>383,831</u>	<u>299,239</u>	<u>2,094,953</u>
Less Non-Transportation Related Expenditures:							
Maintenance Vehicles and Trucks	(44,864)	(12,503)	(12,503)	(211,687)	(37,953)	(34,827)	(354,337)
Salaries and Wages - Police and Maintenance	(22,658)	(72,736)	(85,762)	(91,527)	(52,643)	(1,488)	(326,814)
Repairs & Maintenance	(75,658)	(15,709)	(35,659)	(30,667)	(11,640)	(24,232)	(193,565)
Park Lights	(7,157)	(8,458)	(7,808)	(7,808)	(7,808)	(5,856)	(44,895)
Maintenance Equipment	-	-	(1,888)	(33,129)	-	-	(35,017)
Excess Project Administration Fees ¹	-	-	-	-	-	(1,688)	(1,688)
	<u>(150,337)</u>	<u>(109,406)</u>	<u>(143,620)</u>	<u>(374,818)</u>	<u>(110,044)</u>	<u>(68,091)</u>	<u>(956,316)</u>
Claimed Transportation Expenditures, As Adjusted	<u>\$ 62,799</u>	<u>\$ 199,171</u>	<u>\$ 175,561</u>	<u>\$ 196,171</u>	<u>\$ 273,787</u>	<u>\$ 231,148</u>	<u>\$ 1,138,637</u>

Source: City of Sweetwater General Ledger Detail and Vendor Invoices

¹ Project Administration Fees are limited to 5% of annual Surtax Proceeds.



City of Sweetwater

January 11, 2010

Ms. Cathy Jackson, Director
Audit and Management Services Department
One S.E. Third Avenue, Suite 1100
Miami, Florida 33131

RE: Charter County Transit System Surtax Review-City of Sweetwater

Dear Ms. Jackson:

We have received and reviewed the draft copy of the Audit Report we discussed with members of your staff a few days ago. The following are the city's responses to the four findings note:

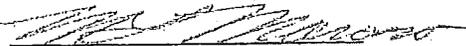
1. General Fund Support – The city agrees with the adjusted MOE of \$129,095, and we will use this amount going forward.
2. Use of Surtax Proceeds – The City of Sweetwater would like to state that it has; at all times, used its surtax transit funding explicitly as indicated by CITT representatives and guidelines. Therefore, the city still has some strong discrepancies and disagreements with the final unused amount of \$1.5 million. There are some items that the city is convinced should be covered by this funding, such as the chipper truck and the garbage collection truck. The chipper truck is used to trim the trees off the road, and not just for beautification of the city. Similarly, the garbage collection truck is utilized to pick up trash at the city's bus stops. This function clearly supports transit in Sweetwater, given that these stops would not be viable and a danger to the citizenry if not properly serviced. The city also disagrees with the disallowance of percentages of salaries that are paid to employees that lend vital support to that city's transit employees and system. Please take into account that some city employees who do not work directly in transit still play a pivotal role in the recruitment, hiring and support of the employees that do provide transit services. Additionally, the city was surprised to find out that sidewalks were disallowed – especially when taking into account that the city had identified sidewalks as a priority area in 5-year plans and in cost summaries submitted to the county.

We respectfully request that the City at least be permitted to rollover unused funds (rather than recapture).

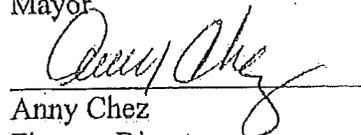
3. Certification and Reporting Requirements – The city agrees to prospectively submit all required reports on a timely manner.
4. Signage – The city has already complied with this recommendation and the required signage has been placed in the shuttle bus.

We thank you for your assistance and professionalism during this process. Please feel free to contact me if you have any questions.

Sincerely,



Manuel L. Marono
Mayor



Anny Chez
Finance Director