

# Memorandum



**Date:** February 10, 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 –  
Town of Medley

---

## PURPOSE AND SCOPE

As requested, we reviewed the Town of Medley'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 Town of Medley (Medley) is bordered on the North by the City of Hialeah Gardens, on the East by the City of Hialeah, on the South by the City of Doral, and on the West by unincorporated Miami-Dade County. Medley operates under a Council form of government, which consists of the Mayor, Vice Mayor and three Council persons. The Mayor is the Chief Administrative Officer of the Town. During the six-year period ended September 30, 2008, the County, through the Office of the Citizens' Independent Transportation Trust (OCITT), remitted \$203,784 in Transit Surtax proceeds for Medley 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 November 25, 2003 *Interlocal Agreement for Distribution of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement), as Amended July 10, 2007, Medley reported \$25,000 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	\$ 21,186	\$ 32,464	\$ 33,963	\$ 37,170	\$ 37,616	\$ 41,385	\$ 203,784
Maintenance of Effort (MOE)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 150,000

Source: OCITT

### SUMMARY RESULTS

During the audit period, Medley received \$203,784 in Transit Surtax funds but did not report how it used those proceeds to the OCITT, as required. Instead, Management claimed \$3.5 million in expenditures while fieldwork was underway (Schedule II). Additionally, Medley reported an MOE of \$25,000, however, our auditors determined the amount should be increased to \$478,082 using the FY 2002 Budget. Using the corrected MOE, we determined Medley was unable to expend \$39,312 (19%) of the \$203,784 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 the 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 Medley under separate cover, requesting a written response by March 31, 2010 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**

Medley reported \$25,000 for road materials and supplies as its FY 2002 MOE. Using the FY 2002 General Fund Budget, we determined the MOE should be increased to \$478,082 for street maintenance and repairs, railroad crossings, and street lighting, among others (Table II). Since municipalities are required to apply Transit 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 is affected by the accuracy of the MOE.

**Table II**  
**FY 2002 General Fund Maintenance of Effort (MOE)**

Description	Reported	Adjustments	Corrected
<b>Public Works/General Government/General Services</b>			
Street Maintenance Personnel Costs <sup>1</sup>	\$ -	\$ 277,614	\$ 277,614
Railroad Crossings	-	60,000	60,000
Street Lighting Utilities	-	45,000	45,000
Road Materials and Supplies	25,000	-	25,000
Vehicle Expenditures <sup>1</sup>	-	24,438	24,438
Heavy Equipment Maintenance	-	23,000	23,000
Other <sup>1</sup>	-	23,030	23,030
Total	<u>\$ 25,000</u>	<u>\$ 453,082</u>	<u>\$ 478,082</u>

Source: Medley MOE Worksheet and FY 2002 Budget

<sup>1</sup> Amounts determined using estimates provided by Medley

**Recommendation**

Require Medley to certify the corrected MOE of \$478,082 within 30 days.

**Use of Surtax Proceeds**

Although Medley did not submit reports detailing Transit Surtax project expenditures to OCITT as required, Management claimed transit and transportation-related expenditures to our auditors totaling \$3.5 million (Schedule II). After using the corrected MOE, we determined Medley was unable to expend \$39,312 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	
<b>Surtax Proceeds (Schedule I)</b>	\$ 21,186	\$ 32,464	\$ 33,963	\$ 37,170	\$ 37,616	\$ 41,385	\$ 203,784
<b>Surtax Uses:</b>							
<b>Transit Expenditures</b>							
As Claimed (Schedule II)	\$ -	\$ -	\$ 169	\$ 11,009	\$ 5,188	\$ 39,872	\$ 56,238
<b>Transportation Expenditures</b>							
As Claimed (Schedule II)	\$ 399,589	\$ 501,379	\$ 563,580	\$ 666,731	\$ 750,621	\$ 611,662	\$ 3,493,562
Less: MOE, as Corrected (Table II)	478,082	478,082	478,082	478,082	478,082	478,082	2,868,492
Net Expenditures, As Adjusted	\$ (78,493)	\$ 23,297	\$ 85,498	\$ 188,649	\$ 272,539	\$ 133,580	\$ 625,070
<b>Analysis:</b>							
<b>Transit Expenditures</b>							
Required 20% Transit Minimum <sup>1</sup>	\$ 4,237	\$ 6,493	\$ 6,793	\$ 7,434	\$ 7,523	\$ 8,277	\$ 40,757
Qualifying Transit-Related Expenditures Applied	-	-	(169)	(11,009)	(5,188)	(39,872)	(56,238)
Unused/(Excess) Transit Funds <sup>2</sup>	\$ 4,237	\$ 6,493	\$ 6,624	\$ (3,575)	\$ 2,335	\$ (31,595)	\$ (15,481)
<b>Transportation-Related Expenditures</b>							
Remaining 80% Balance <sup>1</sup>	\$ 16,949	\$ 25,971	\$ 27,170	\$ 29,736	\$ 30,093	\$ 33,108	\$ 163,027
Excess Transit Expenditures Applied <sup>2</sup>	-	-	-	(3,575)	-	(31,595)	(35,170)
Qualifying Transportation Expenditures Applied	-	(23,297)	(27,170)	(26,161)	(30,093)	(1,513)	(108,234)
Unused Transportation Funds	\$ 16,949	\$ 2,674	\$ -	\$ -	\$ -	\$ -	\$ 19,623
<b>Recommended Recapture or Rollover:</b>							
Transit	\$ 4,237	\$ 6,493	\$ 6,624	\$ -	\$ 2,335	\$ -	\$ 19,689
Transportation	16,949	2,674	-	-	-	-	19,623
Total	\$ 21,186	\$ 9,167	\$ 6,624	\$ -	\$ 2,335	\$ -	\$ 39,312

<sup>1</sup> 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.

<sup>2</sup> Excess transit expenditures may be used to offset available transportation funds.

**Recommendation**

Recapture \$39,312 or allow for rollover in subsequent periods in accordance with revised guidelines recently approved by Members of the Citizens' Independent Transportation Trust, pending acceptance by the Board of County Commissioners.

**Certification and Reporting Requirements**

Although required, Medley did not submit annual reports of qualifying expenditures, Certification Letters for FYs 2003 through 2006, and Five-Year Transportation Plans for FYs 2004, 2006 and 2007. Annual certifications for FY 2007 and FY 2008 omitted the required affirmation that Surtax Funds received had been used in accordance with the Interlocal Agreement. Further, as required by the Amended Interlocal Agreement, Medley did not submit Certified Reports of Proceeds Expended, and does not segregate program expenditures in a separate account.

**Recommendation**

- Prospectively, Medley should submit all required reports to OCITT and maintain accounting records in the manner prescribed.

- OCITT should consider withholding funding if reports are incomplete or delinquent.

### **Signage**

The Interlocal Agreement, as Amended, requires posting of conspicuous signage for all projects funded in whole, or in part, with Transit Surtax proceeds. We found no evidence of such posting on the Circulator Bus.

### **Recommendation**

Medley should be instructed to comply with the signage requirement.

CJ:zg

Attachment

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  
Honorable Ramon Rodriguez, Mayor, Town of Medley

**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
<b>Town of Medley</b>	<b>21,186</b>	<b>32,464</b>	<b>33,963</b>	<b>37,170</b>	<b>37,616</b>	<b>41,385</b>	<b>203,784</b>
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 <sup>1</sup>	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

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

Charter County Transit System Surtax - Town of Medley  
 Summary of Claimed 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	
<b>Transit Expenditures</b>							
<i>Circulator Bus:</i>							
Implementation Study	\$ -	\$ -	\$ 582	\$ 37,917	\$ 17,867	\$ -	\$ 56,366
Lease Payments	-	-	-	-	-	24,001	24,001
Personnel Costs	-	-	-	-	-	13,871	13,871
Other	-	-	-	-	-	2,000	2,000
Less: Metropolitan Planning Organization Grant	-	-	(413)	(26,908)	(12,679)	-	(40,000)
Total Claimed Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169</u>	<u>\$ 11,009</u>	<u>\$ 5,188</u>	<u>\$ 39,872</u>	<u>\$ 56,238</u>
<b>Transportation Expenditures</b>							
Street Maintenance Personnel Costs	\$ 269,475	\$ 330,370	\$ 368,320	\$ 444,965	\$ 407,561	\$ 401,013	\$ 2,221,704
Street Maintenance and Improvements, and Related Costs	63,630	78,268	111,985	125,614	114,428	133,159	627,084
Railroad Crossings Maintenance <sup>1</sup>	11,641	23,493	9,272	16,493	155,279	17,166	233,344
Street Lighting Utilities	51,956	55,795	66,320	67,085	63,672	57,557	362,385
Traffic Studies	7,183	46,475	19,950	31,750	7,800	698	113,856
Administrative Costs <sup>2</sup>	1,059	1,623	1,698	1,859	1,881	2,069	10,189
Less: Metropolitan Planning Organization Grants	(5,355)	(34,645)	(13,965)	(21,035)	-	-	(75,000)
Total Claimed Expenditures	<u>\$ 399,589</u>	<u>\$ 501,379</u>	<u>\$ 563,580</u>	<u>\$ 666,731</u>	<u>\$ 750,621</u>	<u>\$ 611,662</u>	<u>\$ 3,493,562</u>

Source: Town of Medley General Ledger and Vendor Invoices

<sup>1</sup> Includes costs for annual signal maintenance and rehabilitation of the railroad grade crossings.

<sup>2</sup> Administrative costs are limited to 5% of annual Transit Surtax proceeds.