

Memorandum



Date: June 30, 2012

To: Charles D. Scurr, Executive Director
Office of the Citizens' Independent Transportation Trust (OCITT)

From: 
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 performed a review of the City of Sweetwater's (City) use of Charter County Transit System Surtax (Surtax) proceeds remitted by Miami-Dade County (County) for the three years ended September 30, 2011. The objectives were to determine compliance with the Amended Interlocal Agreement and assess resolution of the prior audit findings referenced in our January 28, 2010 Audit Report.

BACKGROUND

Miami-Dade County Ordinance (Ordinance) No. 02-116, enacted on July 9, 2002, imposed a one-half of one percent Surtax on eligible sales transactions for transportation-related projects. However, at least 20% of the proceeds received by the County must be distributed to municipalities incorporated as of November 5, 2002, on a pro rata basis, using population statistics.

The Surtax Program is administered by the Citizens' Independent Transportation Trust (CITT), a board comprised of 15 members appointed by the Board of County Commissioners, County Mayor, and Miami-Dade League of Cities. Pursuant to the Amended *Interlocal Agreement for Distribution, Use, and Reporting of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* (Interlocal Agreement) executed on July 10, 2007, the City annually receives its pro rata share of Surtax proceeds (Schedule I).

Under the terms of the Interlocal Agreement, the City must continue the same level of General Fund support for transportation projects appropriated in its Fiscal Year (FY) 2002 Budget. Surtax monies may be used to develop, construct, equip, maintain, operate, or expand County-wide bus systems, fixed guide-way rapid transit systems, roads, and bridges, as well as secure bonds or pay debt service for such systems. Further, the City is 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.

For the three years ended September 30, 2011, the City reported Surtax receipts and expenditures of \$1.2 million and \$1.7 million, respectively (Table I). Also, in response to a prior audit finding, the City increased its budgeted FY 2002 General Fund transportation support level or Maintenance of Effort (MOE) from zero to \$129,095.

Table I
Surtax Statistics

Description	Year Ended September 30,			All Years
	2009	2010	2011	
Maintenance of Effort (MOE)	\$ 129,095	\$ 129,095	\$ 129,095	\$ 387,285
Surtax Proceeds	\$ 418,273	\$ 419,090	\$ 447,548	\$ 1,284,911
Less: OCITT Withholdings	-	-	(97,500)	(97,500)
Net Surtax Proceeds	\$ 418,273	\$ 419,090	\$ 350,048	\$ 1,187,411
Surtax Uses	\$ 566,821	\$ 520,598	\$ 600,008	\$ 1,687,427

Source: OCITT and City of Sweetwater

SUMMARY RESULTS

During the three years ended September 30, 2011, the City expended Surtax Proceeds on eligible projects, however, required financial reports due since the fourth quarter of FY 2011 were not submitted until June 28, 2012. Also, in FY 2011, OCITT began withholding \$7,500 from the monthly Surtax distributions because the City was unable to replenish its Surtax Fund for \$766,362 spent on ineligible projects that was disclosed in our prior audit. As shown in Table I, such withholdings totaled \$97,500 as of September 30, 2011.

Under new guidelines issued by the CITT, the City may rollover unspent funds, providing a five-year transportation plan is submitted detailing how the unspent funds will be used. Further, availability of the funds must be demonstrated in a restricted bank account or an appropriate designated Fund. The City has admitted that the unused funds, which totaled \$720,044 as of September 30, 2011, are not available, and thus OCITT should continue the monthly withholdings until the City furnishes proof that the unspent funds have been set-aside in a restricted bank account. These and other matters, as well as the status of prior audit findings (Exhibit I), are presented in the remainder of this report.

A copy of this report has been submitted to the City of Sweetwater, with a written response requested within 30 days. We appreciate the courtesies and assistance extended to our staff during the audit process. Please contact Nancy McKee, Assistant Director, at 305-349-6100, if you have any questions.

FINDINGS AND RECOMMENDATIONS

Use of Surtax Proceeds

As shown in Table II, the City claimed \$1.7 million in Transit and Transportation expenditures during the three years ended September 30, 2011. One Circulator Bus runs hourly throughout the City daily, from morning through evening hours. The City has a contract to purchase a second Circulator in FY 2012.

**Table II
Claimed Transit and Transportation Expenses**

Description	Fiscal Year Ended September 30,			All Years
	2009	2010	2011	
Transit Projects				
Circulator Bus Driver Salaries and Benefits	\$ 166,589	\$ 168,290	\$ 188,674	\$ 523,553
Circulator Bus Repairs and Maintenance	10,042	13,180	15,409	38,631
Fuel	6,488	14,520	15,871	36,879
Insurance and Uniforms	8,005	8,850	8,243	25,098
	<u>191,124</u>	<u>204,840</u>	<u>228,197</u>	<u>624,161</u>
Transportation Projects				
Street Maintenance Salaries and Benefits	163,488	175,553	171,607	510,648
Vehicle Repairs and Maintenance	10,042	13,179	15,408	38,629
Road Repairs	28,839	9,451	39,502	77,792
Fuel	6,487	14,520	15,871	36,878
Street Lights	68,490	59,860	62,718	191,068
Administrative (Limited to 5% of Revenues)	20,914	20,125	17,502	58,541
Other	21,585	23,070	38,642	83,297
Amounts Claimed but Deemed Ineligible (Table III)	55,852	-	10,561	66,413
	<u>375,697</u>	<u>315,758</u>	<u>371,811</u>	<u>1,063,266</u>
	<u>\$ 566,821</u>	<u>\$ 520,598</u>	<u>\$ 600,008</u>	<u>\$ 1,687,427</u>

Source: City of Sweetwater General Ledgers, Summary Reports, and Supporting Documentation

Landscaping and right-of-way maintenance costs were included, although such costs are only allowable if they are part of a new road project. Also, the City could not substantiate a \$23,757 journal entry, and certain other errors were noted (Table III).

**Table III
Summary of Disallowed Transportation Expenditures**

Description	Fiscal Year Ended September 30,			All Years
	2009	2010	2011	
Lease costs for landscaping equipment	\$ 25,450	\$ -	\$ -	\$ 25,450
Journal entry with no supporting detail	23,757	-	-	23,757
Right-of-way maintenance costs	-	-	7,963	7,963
Administrative expenses in excess of 5%	3,493	-	2,598	6,091
Diesel fuel for City Hall generators	2,049	-	-	2,049
Asphalt invoice paid twice	1,103	-	-	1,103
	<u>\$ 55,852</u>	<u>\$ -</u>	<u>\$ 10,561</u>	<u>\$ 66,413</u>

Source: City of Sweetwater General Ledgers, Summary Reports, and Supporting Documentation

After adjusting claimed expenditures for disallowances, the City was still able to spend all of its Surtax Proceeds during the three years ended September 30, 2011, and any excess expenditures were applied to prior carryover (Table IV). CITT Resolution 09-055 permits the rollover of unspent funds for up to five years.

Table IV
Transit Surtax Proceeds Usage Analysis

Description	Fiscal Year Ended September 30,			All Years
	2009	2010	2011	
Net Surtax Proceeds (Table I and Schedule I)	\$ 418,273	\$ 419,090	\$ 350,048	\$ 1,187,411
Surtax Uses:				
Transit Expenditures, as Reported (Table II)	\$ 191,124	\$ 204,840	\$ 228,197	\$ 624,161
Transportation Expenditures, as Reported (Table II)	\$ 375,697	\$ 315,758	\$ 371,811	\$ 1,063,266
Less: Disallowed Projects (Table III)	(55,852)	-	(10,561)	(66,413)
Net Transportation Expenditures	319,845	315,758	361,250	996,853
Less: Maintenance of Effort	(129,095)	(129,095)	(129,095)	(387,285)
Net Transportation Expenditures to Apply	\$ 190,750	\$ 186,663	\$ 232,155	\$ 609,568
AMS Analysis:				
Required 20% Transit Minimum ¹	\$ 83,655	\$ 83,818	\$ 70,010	\$ 237,483
Eligible Transit Expenditures Applied	(191,124)	(204,840)	(228,197)	(624,161)
Excess Expenditures, Applied to Transportation	\$ (107,469)	\$ (121,022)	\$ (158,187)	\$ (386,678)
Remaining 80% Balance	\$ 334,618	\$ 335,272	\$ 280,038	\$ 949,928
Eligible Transportation Expenditures Applied	(190,750)	(186,663)	(232,155)	(609,568)
Excess Transit Expenditures	(107,469)	(121,022)	(158,187)	(386,678)
Unused Funds (Excess Expenditures)	\$ 36,399	\$ 27,587	\$ (110,304)	\$ (46,318)

¹ At least 20% of Surtax Proceeds must be used on transit-related projects, such as circulator buses.

As of September 30, 2008, the City had unspent Surtax funds totaling \$1.5 million. In September 2010, the City submitted to OCITT the revised expenditure reports that included additional payroll for street repairs and replacement, resulting in revised unspent funds of \$766,362. Although CITT Resolution 09-055 permits the rollover of unspent funds for up to five years, the City no longer had the funds, as they had been misspent on ineligible projects. OCITT began withholding \$15,000 per month until March 2011, when the amount was reduced to \$7,500 per month in consideration of the City’s need for circulator services, primarily for low-income senior citizens. A total of \$97,500 was withheld in FY 2011.

As of September 30, 2011, the remaining unspent balance is \$720,044 (Table V). Although requested, the City could not substantiate that unused funds were legally available in bank accounts and had been appropriately restricted for future Surtax projects.

Required financial reports due since the fourth quarter of FY 2011 were not submitted to OCITT until June 28, 2012, in violation of the Interlocal Agreement.

Table V
Analysis of Unspent Transit Surtax Funds

Description	As Reported 9/30/08	Additional Expenditures Applied ¹	As Adjusted 9/30/08	Unused Funds (Excess Expenditures) Fiscal Year Ended September 30,			Balance 9/30/11
				2009	2010	2011	
Transit Funds	\$ 50,855	\$ (34,178)	\$ 16,677	\$ -	\$ -	\$ -	\$ 16,677
Transportation Funds	1,451,477	(701,792)	749,685	36,399	27,587	(110,304)	703,367
	<u>\$ 1,502,332</u>	<u>\$ (735,970)</u>	<u>\$ 766,362</u>	<u>\$ 36,399</u>	<u>\$ 27,587</u>	<u>\$ (110,304)</u>	<u>\$ 720,044</u>

Source: OCITT and City of Sweetwater Financial Reports

¹ In September 2010, the City submitted revised expenditure reports for consideration.

Recommendation

OCITT should withhold future funding until the City has demonstrated that unspent funds have been set-aside in a restricted account. Additionally, the Five-Year Transportation Plan should include future expenditures of at least \$720,044 and be promptly submitted, if the City expects to rollover any unspent funds.

CJ:ed

Attachments

- c: Honorable Harvey A. Ruvin, Clerk of the Courts
- Robert A. Cuevas, Jr., County Attorney
- Edward Marquez, Deputy Mayor/Finance Director
- Jennifer Moon, Director, Office of Management and Budget
- Charles Anderson, Commission Auditor
- Honorable Manuel L. Morono, Mayor, City of Sweetwater

**Charter County Transit System Surtax
Summary of Payments to Municipalities
For the Nine Fiscal Years Ended September 30, 2011**

Municipality	Fiscal Year Ended September 30,									All Years
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
City of Miami	\$ 6,905,410	\$ 10,580,915	\$ 11,208,930	\$ 12,562,541	\$ 12,855,629	\$ 12,574,719	\$ 11,545,439	\$ 11,946,673	\$ 13,113,576	\$ 103,293,832
City of Hialeah	4,382,718	6,715,483	7,014,990	7,730,686	7,656,151	7,336,976	6,672,306	6,709,589	7,117,975	61,336,874
City of Miami Beach	1,686,079	2,583,517	2,719,756	3,029,839	3,108,056	2,960,734	2,736,361	2,765,507	2,916,205	24,506,054
City of North Miami	1,136,965	1,742,129	1,805,505	1,989,253	2,004,095	1,919,328	1,759,840	1,755,291	1,836,714	15,949,120
City of Coral Gables	810,009	1,241,148	1,298,953	1,467,752	1,480,710	1,426,754	1,302,297	1,346,817	1,429,343	11,803,783
City of Homestead	621,791	952,745	1,051,671	1,208,129	1,275,853	1,387,011	1,681,886	1,747,262	1,809,949	11,736,297
City of North Miami Beach	799,300	1,224,740	1,267,423	1,402,019	1,366,735	1,307,355	1,195,378	1,202,159	1,260,998	11,026,107
City of Aventura	495,408	759,096	818,788	933,612	947,021	946,296	887,089	912,935	977,774	7,678,019
Town of Miami Lakes ²	460,331	705,348	737,093	822,002	822,114	876,926	760,175	774,921	810,925	6,769,835
Village of Palmetto Bay	459,612	704,246	745,086	824,252	823,908	807,842	734,476	740,194	789,514	6,629,130
City of Hialeah Gardens	373,801	572,763	604,331	676,565	681,956	657,921	598,273	615,769	659,652	5,441,031
City of Sunny Isles Beach	293,299	449,411	486,866	548,772	555,020	582,250	547,355	593,184	613,819	4,669,976
Village of Pinecrest ¹	361,540	553,977	579,684	639,364	646,631	627,523	14,305	572,099	612,279	4,607,402
City of Opa-Locka	291,102	446,045	468,652	533,416	513,020	497,615	448,435	445,408	480,123	4,123,816
City of Sweetwater ²	270,238	414,075	429,218	472,215	477,595	458,867	418,273	419,090	350,048	3,709,619
City of Miami Springs	259,738	397,985	412,534	456,196	459,353	440,937	398,334	398,681	421,632	3,645,390
Village of Key Biscayne	202,733	310,644	333,638	369,378	379,639	368,354	333,808	339,806	358,459	2,996,459
City of South Miami	203,889	312,415	323,655	360,476	351,494	338,279	308,347	328,868	357,423	2,884,846
Miami Shores Village	197,655	302,860	313,826	346,278	348,437	335,963	301,400	313,310	340,930	2,800,659
City of Florida City	153,748	235,582	254,464	288,454	291,983	295,447	272,056	299,755	320,951	2,412,440
City of North Bay Village	126,762	194,231	198,770	218,913	215,921	186,169	167,474	200,385	214,742	1,723,367
City of West Miami	113,307	173,613	185,212	202,961	194,190	184,561	167,123	167,329	180,093	1,568,389
Town of Surfside	95,908	146,959	157,799	184,160	144,185	223,419	168,610	170,243	180,473	1,471,756
Town of Bay Harbor Islands	96,989	148,613	155,936	172,145	173,190	167,339	150,306	151,009	160,052	1,375,579
Village of Biscayne Park	62,045	95,070	104,750	117,666	110,586	106,676	97,167	96,222	100,460	890,642
Town of Bal Harbour Village	62,707	96,085	99,550	112,832	105,834	95,526	89,285	97,016	104,292	863,127
Village of El Portal	47,795	73,232	76,045	84,400	84,367	82,000	73,663	73,579	77,875	672,956
Village of Virginia Gardens	44,592	68,325	70,576	77,979	78,619	76,184	68,729	67,579	71,151	623,734
Town of Medley	21,186	32,464	33,963	37,170	37,616	41,385	33,052	33,111	35,277	305,224
Town of Golden Beach ²	17,511	26,830	27,952	32,999	24,732	7,016	37,226	27,846	29,686	231,798
Indian Creek Village ³	625	955	931	1,093	-	-	-	-	-	3,604
	<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>\$ 33,968,468</u>	<u>\$ 35,311,637</u>	<u>\$ 37,732,390</u>	<u>\$ 307,750,865</u>

Source: Office of Citizens' Independent Transportation Trust (OCITT)

¹ Amount in 2009 is net of \$551,589 returned by the Village of Pinecrest for their unspent transit portion of funding as of 9/30/07, per the AMS audit.

² Amounts are net of withholdings of \$76,553 from the Town of Miami Lakes; \$97,500 from the City of Sweetwater; and \$21,058 from the Town of Golden Beach, due to specific instances of noncompliance.

³ A total of \$9,071 has been withheld from Indian Creek Village, at their request, since Fiscal Year 2007.

**Charter County Transit System Surtax
City of Sweetwater
Status of Prior Audit Findings**

Finding ¹	Recommendation	Auditee Response	Current Status
<p><u>General Fund Support</u> The City reported zero dollars as its Maintenance of Effort (MOE). MOE should have been the budgeted 2002 costs of \$129,095.</p> <p><u>Use of Surtax Proceeds</u> The City claimed expenditures of \$3.1 million, of which \$1.3 was ineligible. After applying adjustments to both MOE and claimed expenditures, the City had unspent Transit funds of \$50,855 and unspent Transportation funds of \$1.45 million.</p> <p><u>Certification and Reporting Requirements</u> The City did not submit required financial certifications to the OCITT.</p> <p><u>Signage</u> The City did not post signage on its circulator buses stating that OCITT funding provided the bus service.</p>	<p>Require the City to certify the corrected MOE within 30 days.</p> <p>Recapture the \$1.5 million, or allow for rollover.</p> <p>The City should submit all required reports.</p> <p>The City should comply with signage requirements.</p>	<p>The City agreed with the adjusted MOE of \$129,095.</p> <p>The City submitted revised expenditure reports to the OCITT in September 2010, resulting in revised unspent funds of \$766,362.</p> <p>The City agrees to prospectively submit all required reports in a timely manner.</p> <p>Signage has been placed in the shuttle bus.</p>	<p><u>Resolved</u> The City adjusted MOE accordingly.</p> <p><u>Unresolved</u> The City no longer has the unspent funds, as they were used for ineligible projects. Also, the City has not submitted a Five-Year Transportation Plan that demonstrates future expenditures of \$766,362.</p> <p><u>Unresolved</u> Required reports due since the fourth quarter of 2011 were not submitted until June 28, 2012.</p> <p><u>Resolved</u> Signage has been placed inside the circulator bus.</p>

¹ See the Audit Report dated January 28, 2010 for the full text of the findings.