Memorandum

MIAMI-DADE COUNTY

Date: August 26, 2013

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

From: Cathy Jackson, Director
Audit and Management Services Department

Subject: Audit Report – Charter County Transportation System Surtax Review – City of Hialeah Gardens

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PURPOSE AND SCOPE

We performed a review of the City of Hialeah Gardens' use of Charter County Transportation System Surtax (Surtax) Proceeds remitted by Miami-Dade County (County) for the four years ended September 30, 2012. The primary objective was to ensure that Surtax Proceeds were used in compliance with the *Interlocal Agreement for Distribution, Use and Reporting of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* executed on May 1, 2007 (Interlocal Agreement). Additionally, we assessed resolution of prior audit findings referenced in our Report dated December 21, 2009 (Exhibit I).

BACKGROUND

Miami-Dade County 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 (Schedule I). The Surtax Program is administered by the Citizens' Independent Transportation Trust (CITT), a group comprised of 15 members appointed by the Board of County Commissioners, County Mayor, and Miami-Dade League of Cities.

Pursuant to the Interlocal Agreement, the City of Hialeah Gardens (Hialeah Gardens) must annually continue the same level of General Fund support for Transportation projects appropriated in its Fiscal Year 2002 Budget (Maintenance of Effort), which totaled $42,500 (Table I). 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 such bonds or pay debt service for such systems. Further, Hialeah Gardens must apply at least 20% of the Proceeds to Transit-related projects, such as circulator buses, bus shelters, bus pullout bays, or other related infrastructure.

SUMMARY RESULTS

For the four years ended September 30, 2012, Hialeah Gardens received $2.6 million in Surtax Proceeds, and claimed expenditures totaled $3.3 million (Table I). After adjusting claimed costs for the Maintenance of Effort amount (MOE) and other unreported and ineligible expenditures, Hialeah Gardens was unable to spend Transportation-related Surtax Proceeds totaling $488,657 (Schedule II).

Table I
Surtax Statistics

Description	Fiscal Year Ended September 30,				All Years
	2009	2010	2011	2012	
Maintenance of Effort	$ 42,500	$ 42,500	$ 42,500	$ 42,500	$ 170,000
Surtax Proceeds	$ 598,273	$ 615,769	$ 659,652	$ 737,631	$ 2,611,325
Claimed Expenditures:					
Transit	$ 216,169	$ 216,169	$ 216,169	$ 182,572	$ 831,079
Transportation	1,445,312	310,639	412,182	313,584	2,481,717
Total	$ 1,661,481	$ 526,808	$ 628,351	$ 496,156	$ 3,312,796

Source: OCITT and Hialeah Gardens

Within 90 days, Hialeah Gardens should submit an updated Five-Year Transportation Plan reflecting how unspent funds will be used pursuant to CITT Resolution No. 09-055, adopted July 30, 2009. These and other findings are more fully discussed in the remainder of this report.

A copy of this report is being submitted to Hialeah Gardens under separate cover, requesting a written response within 30 days. We appreciate the courtesies and assistance extended to our staff during the audit process. Please contact Jacqueline Williams, Audit Manager, at 305-349-6100, if you have any questions.

FINDINGS AND RECOMMENDATIONS

Use of Surtax Proceeds

As presented in Table II, Hialeah Gardens used its Surtax monies primarily to pay debt service costs ($1 million) associated with two Revenue Bond Series for which the proceeds were used to finance certain transportation projects and refund outstanding Series 2004 Bonds. Another $1.2 million was used to improve a major arterial road, and $831,079 was paid to the City of Hialeah for ongoing Bus Circulator services. After applying the MOE and adjusting claimed costs for unreported street lighting and other expenses, Hialeah Gardens was unable to spend Transportation-related Surtax Proceeds totaling $488,657 (Schedule II).

Table II
Summary of Claimed Expenditures, as Adjusted

Description	Fiscal Year Ended September 30, 2009	2010	2011	2012	All Years
Claimed Transit Expenditures:					
City Circulator (Service Charges from City of Hialeah)	$ 216,169	$ 216,169	$ 216,169	$ 182,572	$ 831,079
Claimed Transportation Expenditures:					
Transportation Tax Revenue Bonds Debt Service:					
Principal and Interest - Series 2004	$ 265,096	$ 132,548	$ -	$ -	$ 397,644
Principal and Interest - Series 2010	-	-	304,453	304,453	608,906
	265,096	132,548	304,453	304,453	1,006,550
N.W. 122 Street - Phase II Road Improvements	1,064,132	132,003	-	-	1,196,135
Street Lighting	31,119	42,500	97,005	-	170,624
N.W. 87 Court Road Improvements	76,133	-	-	-	76,133
General Street Repairs, Equipment Rental & Street Lighting Study	5,269	25	7,161	5,568	18,023
Administrative Expenses	3,563	3,563	3,563	3,563	14,252
	1,445,312	310,639	412,182	313,584	2,481,717
AMS Adjustments:					
Additional/(Overstated) Street Lighting	42,500	28,596	(16,205)	72,984	127,875
Ineligible Recreation Center Expense and Driveway/Sidewalk Projects	(434)	-	-	(4,222)	(4,656)
Unsupported Equipment Rental Charges	(4,325)	-	-	-	(4,325)
Total AMS Adjustments	37,741	28,596	(16,205)	68,762	118,894
Claimed Transportation Expenditures, as Adjusted	$ 1,483,053	$ 339,235	$ 395,977	$ 382,346	$ 2,600,611

Source: Hialeah Gardens General Ledger and supporting documentation

Recommendation

Within 90 days, Hialeah Gardens should submit an updated Five-Year Transportation Plan reflecting how the $488,657 will be used.

Certification and Reporting Requirements

The required FY 2009 Letter certifying the MOE and the 1st Quarterly Report listing Surtax funded projects were not submitted. Certain other reports were forwarded after the due date.

Recommendation

Hialeah Gardens should remedy the identified deficiencies after consulting with OCITT regarding the missing reports. Notwithstanding, prospectively, required reports should be submitted timely, or OCITT should consider withholding future Surtax Proceeds to encourage compliance.

CJ:ag

Attachments

c: Honorable Harvey A. Ruvin, Clerk of the Courts
Robert A. Cuevas, Jr., County Attorney
Edward Marquez, Deputy Mayor
Jennifer Moon, Director, Office of Management and Budget
Charles Anderson, Commission Auditor
Juan Rivera, Director, Office of Management and Budget, City of Hialeah Gardens

Schedule I

Charter County Transportation System Surtax
Summary of Payments to Municipalities
For the Ten Fiscal Years Ended September 30, 2012

Municipality	Fiscal Year Ended September 30, 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	All Years
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	$ 13,555,331	$ 116,849,163
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	7,623,497	68,960,371
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	2,978,728	27,484,782
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	1,994,866	17,943,986
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	2,053,440	13,789,737
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	1,587,452	13,391,235
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	1,409,058	12,435,165
City of Miami Gardens [4]	-	-	-	-	-	-	-	-	-	10,352,937	10,352,937
City of Aventura	495,408	759,096	818,788	933,612	947,021	946,296	887,089	912,935	977,774	1,213,562	8,891,581
Town of Miami Lakes [2]	460,331	705,348	737,093	822,002	822,114	876,926	760,175	774,921	810,925	996,347	7,766,182
Village of Palmetto Bay	459,612	704,246	745,086	824,252	823,908	807,842	734,476	740,194	789,514	794,405	7,423,535
City of Hialeah Gardens	**373,801**	**572,763**	**604,331**	**676,565**	**681,956**	**657,921**	**598,273**	**615,769**	**659,652**	**737,631**	**6,178,662**
City of Sunny Isles Beach	293,299	449,411	486,866	548,772	555,020	582,250	547,355	593,184	613,819	706,920	5,376,896
Village of Pinecrest [1]	361,540	553,977	579,684	639,364	646,631	627,523	14,305	572,099	612,279	618,387	5,225,789
City of Opa-Locka	291,102	446,045	468,652	533,416	513,020	497,615	448,435	445,408	480,123	516,448	4,640,264
City of Miami Springs	259,738	397,985	412,534	456,196	459,353	440,937	398,334	398,681	421,632	468,600	4,113,990
City of Sweetwater [2]	270,238	414,075	429,218	472,215	477,595	458,867	418,273	419,090	350,048	368,080	4,077,699
Town of Cutler Bay [4,5]	-	-	-	-	-	-	-	-	-	3,886,873	3,886,873
City of Doral [4]	-	-	-	-	-	-	-	-	-	3,642,653	3,642,653
Village of Key Biscayne	202,733	310,644	333,638	369,378	379,639	368,354	333,808	339,806	358,459	418,886	3,415,345
City of South Miami	203,889	312,415	323,655	360,476	351,494	338,279	308,347	328,868	357,423	395,573	3,280,419
Miami Shores Village	197,655	302,860	313,826	346,278	348,437	335,963	301,400	313,310	340,930	345,317	3,145,976
City of Florida City	153,748	235,582	254,464	288,454	291,983	295,447	272,056	299,755	320,951	381,591	2,794,031
North Bay Village	126,762	194,231	198,770	218,913	215,921	186,169	167,474	200,385	214,742	242,190	1,965,557
City of West Miami	113,307	173,613	185,212	202,961	194,190	184,561	167,123	167,329	180,093	202,418	1,770,807
Town of Surfside	95,908	146,959	157,799	184,160	144,185	223,419	168,610	170,243	180,473	194,919	1,666,675
Town of Bay Harbor Islands	96,989	148,613	155,936	172,145	173,190	167,339	150,306	151,009	160,052	190,982	1,566,561
Village of Biscayne Park	62,045	95,070	104,750	117,666	110,586	106,676	97,167	96,222	100,460	103,670	994,312
Bal Harbour Village	62,707	96,085	99,550	112,832	105,834	95,526	89,285	97,016	104,292	85,278	948,405
Village of El Portal	47,795	73,232	76,045	84,400	84,367	82,000	73,663	73,579	77,875	78,896	751,852
Village of Virginia Gardens	44,592	68,325	70,576	77,979	78,619	76,184	68,729	67,579	71,151	80,594	704,328
Town of Medley	21,186	32,464	33,963	37,170	37,616	41,385	33,052	33,111	35,277	28,436	333,660
Town of Golden Beach [2]	17,511	26,830	27,952	32,999	24,732	7,016	37,226	27,846	29,686	31,187	262,985
Indian Creek Village [3]	625	955	931	1,093	-	-	-	-	-	-	3,604
	$ 21,054,793	$ 32,261,501	$ 33,986,547	$ 37,903,517	$ 38,214,640	$ 37,317,372	$ 33,968,468	$ 35,311,637	$ 37,732,390	$ 58,285,152	$ 366,036,017

Source: Office of the Citizens' Independent Transportation Trust (OCITT) and the County's Financial Accounting Management Information System

[1] Amount in 2009 is net of $551,589 returned by the Village of Pinecrest for their unspent transit portion of funding as of September 30, 2007, per the Audit and Management Services Department audit.

[2] Amounts are net of withholdings of $76,553 from the Town of Miami Lakes, $172,500 from the City of Sweetwater, and $21,058 from the Town of Golden Beach, due to specific instances of noncompliance.

[3] A total of $11,511 has been withheld from Indian Creek Village, at their request, since Fiscal Year 2007.

[4] Amount paid is pursuant to a Settlement and/or Interlocal Agreement, for Municipalities incorporated after November 5, 2002.

[5] As per OCITT, Municipality received $3,000 in excess of amounts due for Fiscal Year 2012.

Schedule II

Charter County Transportation System Surtax Review - City of Hialeah Gardens
Surtax Proceeds Usage Analysis, as Restated
For the Ten Fiscal Years Ended September 30, 2012

Description	Fiscal Year Ended September 30, 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	All Years
Surtax Proceeds (Schedule I)	$ 373,801	$ 572,763	$ 604,331	$ 676,565	$ 681,956	$ 657,921	$ 598,273	$ 615,769	$ 659,652	$ 737,631	$ 6,178,662
Surtax Uses:											
Eligible Claimed Transit Expenditures [2]	$ -	$ 86,102	$ 206,644	$ 206,644	$ 206,644	$ 206,644	$ 216,169	$ 216,169	$ 216,169	$ 182,572	$ 1,743,757
Eligible Claimed Transportation Expenditures [2]	$ 56,899	$ 67,457	$ 328,998	$ 346,537	$ 576,440	$ 394,306	$ 1,483,053	$ 339,235	$ 395,977	$ 382,346	$ 4,371,248
Less: Maintenance of Effort Amount (Table I)	(42,500)	(42,500)	(42,500)	(42,500)	(42,500)	(42,500)	(42,500)	(42,500)	(42,500)	(42,500)	(425,000)
Expenditures Available for Surtax Use	$ 14,399	$ 24,957	$ 286,498	$ 304,037	$ 533,940	$ 351,806	$ 1,440,553	$ 296,735	$ 353,477	$ 339,846	$ 3,946,248
AMS Analysis:											
Transit-Related Expenditures:											
Expenditures Available for Surtax Use	$ -	$ 86,102	$ 206,644	$ 206,644	$ 206,644	$ 206,644	$ 216,169	$ 216,169	$ 216,169	$ 182,572	$ 1,743,757
Less 20% Minimum Amount [1]	(74,760)	(114,553)	(120,866)	(135,313)	(136,391)	(131,584)	(119,655)	(123,154)	(131,930)	(147,526)	(1,235,732)
Amount Used to Reduce (Increase) Unspent Rollover Funds and/or Apply to Transportation-Related Expenditures Available for Surtax Use	$ (74,760)	$ (28,451)	$ 85,778	$ 71,331	$ 70,253	$ 75,060	$ 96,514	$ 93,015	$ 84,239	$ 35,046	$ 508,025
Analysis of Unspent Rollover:											
Beginning Balance	$ -	$ 74,760	$ 103,211	$ 17,433	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Increase In Unspent Rollover Amounts	74,760	28,451	-	-	-	-	-	-	-	-	103,211
Excess Expenditures Applied to Reduce Unspent Rollover Funds	-	-	(85,778)	(17,433)	-	-	-	-	-	-	(103,211)
Remaining Unspent Amount	$ 74,760	$ 103,211	$ 17,433	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transportation-Related Expenditures:											
Expenditures Available for Surtax Use	$ 14,399	$ 24,957	$ 286,498	$ 304,037	$ 533,940	$ 351,806	$ 1,440,553	$ 296,735	$ 353,477	$ 339,846	$ 3,946,248
Excess Transit Expenditures Applied	-	-	-	53,898	70,253	75,060	96,514	93,015	84,239	35,046	508,025
Less Remaining 80% Minimum [1]	(299,041)	(458,210)	(483,465)	(541,252)	(545,565)	(526,337)	(478,618)	(492,615)	(527,722)	(590,105)	(4,942,930)
Amount Applied to Reduce (Increase) Unspent Rollover Funds	$ (284,642)	$ (433,253)	$ (196,967)	$ (183,317)	$ 58,628	$ (99,471)	$ 1,058,449	$ (102,865)	$ (90,006)	$ (215,213)	$ (488,657)
Analysis of Unspent Rollover:											
Beginning Balance	$ -	$ 284,642	$ 717,895	$ 914,862	$ 1,098,179	$ 1,039,551	$ 1,139,022	$ 80,573	$ 183,438	$ 273,444	$ -
Increase In Unspent Rollover Amounts	284,642	433,253	196,967	183,317	-	99,471	-	102,865	90,006	215,213	1,605,734
Excess Expenditures Applied to Reduce Unspent Rollover Funds	-	-	-	-	(58,628)	-	(1,058,449)	-	-	-	(1,117,077)
Remaining Unspent Amount	$ 284,642	$ 717,895	$ 914,862	$ 1,098,179	$ 1,039,551	$ 1,139,022	$ 80,573	$ 183,438	$ 273,444	$ 488,657	$ 488,657

[1] At least 20% of the Surtax Proceeds must be used on Transit-related projects, such as circulator buses, and the remaining funds (80%) are earmarked for eligible Transportation projects.

[2] See the December 21, 2009 Audit Report for details of claimed amounts for Fiscal Years 2003 through 2008, and Table II for succeeding years.

Exhibit I

Charter County Transportation System Surtax Review - City of Hialeah Gardens
Status of Prior Audit Findings

Finding [1]	Recommendation	Auditee Response	Current Status
General Fund Support			
City of Hialeah Gardens (Hialeah Gardens) reported zero dollars as its budgeted Fiscal Year (FY) 2002 Maintenance of Effort (MOE). However, an additional $42,500 was identified as street lighting appropriations.	Require Hialeah Gardens to certify a corrected MOE of $42,500 within 30 days.	If the interpretation of MOE includes street lighting invoices, then Hialeah Gardens will certify the corrected amount of $42,500 on future reports submitted.	**Resolved**
Use of Surtax Proceeds			
Management claimed Transit and Transportation-related expenditures of $2.3 million, however, after adjusting claimed expenditures for the corrected MOE and other errors and omissions, Hialeah Gardens was unable to expend $1.2 million on eligible projects as of September 30, 2008.	Recapture $1.2 million or allow for rollover, in accordance with revised guidelines approved by the Citizens' Independent Transportation Trust.	Hialeah Gardens allocated $1.2 million in FY 2008-2009 on the reconstruction of NW 122 Street between NW 97th Avenue and Hialeah Gardens Blvd. Furthermore, the road project is included in the required Five-Year Transportation Plan submitted to the Office of the Citizens' Independent Transportation Trust (OCITT), and Phase II was completed as of September 30, 2009.	**Resolved** About 93% of the unspent amount was spent in Fiscal Year 2009.
Certification and Reporting Requirements			
Hialeah Gardens did not submit many of the required reports during the six-year audit period ended September 30, 2008.	Prospectively, Hialeah Gardens should submit all required reports to OCITT in the manner prescribed. OCITT should consider withholding funding if reports are not timely and completely submitted.	Hialeah Gardens will meet with OCITT staff after each submittal deadline to verify that all paperwork addresses certification requirements in the future.	**Resolved** Prior reporting deficiencies were waived by OCITT, pending clarification of reporting requirements stipulated in the current Interlocal Agreement.

[1] For the full text, see the Audit Report dated December 21, 2009.