

# City of Miami

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INDEPENDENT AUDITOR GENERAL



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November 10, 2021

Honorable Members of the City Commission  
City of Miami  
3500 Pan American Drive  
Coconut Grove, FL 33133-5504

Re: Audit of The City of Miami Tree Trust Fund  
Report No. 22-01

## **Executive Summary**

We have completed an audit of selected financial records and transactions of the City of Miami Tree Trust Fund (TTF), for the fiscal years 2015 through 2019. The audit was performed to provide the Commissioners and Management with objective and relevant information for use in promoting accountability, improving the TTF's operations, and attaining the objectives of the TTF.

During the audit period of fiscal years 2015 through 2019, the TTF revenue totaled \$6,584,898 with \$3,910,132 in expenses and transfers to related capital projects, resulting in a fund balance of \$2,674,766 as of the 2019 fiscal year-end. As a result of our audit, we noted the following:

- 1) Tree Trust Fund yearly expenditures did not meet the threshold set by City Code.
- 2) Unallowable expenses totaling \$93,315 were incurred using Tree Trust Funds.
- 3) There were no written policies and procedures to administer the Tree Trust Fund.

We wish to express our appreciation for the cooperation and courtesies extended to us by all personnel while conducting the audit.

Sincerely,

A handwritten signature in cursive script that reads 'Theodore P. Guba'.

Theodore P. Guba, CPA, CIA, CFE  
Independent Auditor General  
Office of the Independent Auditor General

Cc: The Honorable Mayor Francis Suarez  
Arthur Noriega, V, City Manager  
Victoria Mendez, City Attorney  
Todd Hannon, City Clerk  
Nzeribe Ihekwaba, Deputy City Manager  
Natasha Colebrook-Williams, Assistant City Manager  
Fernando Casamayor, Assistant City Manager/Chief Financial Officer  
Asael Marrero, Director, Building Department  
Erica Paschal, Director, Finance Department  
Marie Gouin, Director, Office of Management and Budget  
Annie Perez, Director, Purchasing Department  
Robert Santos-Alborna, Director, Code Compliance Department  
Cesar M. Garcia-Pons, Director, Planning Department  
Daniel S. Goldberg, Director, Office of Zoning  
Juvenal Santana, Director, Public Works Department  
Angel R. Carrasquillo, Director, Capital Improvements Program  
Members of the Audit Advisory Committee  
Audit Documentation File

Audit conducted by: Raymond Ishmael, CPA, CFE, Senior Auditor  
Wesley Laurent, MBA, CPA, CIA, Senior Auditor

Audit reviewed by: Mala Khilnani, CPA, CISA, Assistant to the Auditor General

# AUDIT OF THE CITY OF MIAMI TREE TRUST FUND

OCTOBER 1, 2014 THROUGH SEPTEMBER 30, 2019  
REPORT NO. 22-01

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## **SCOPE, OBJECTIVES, AND METHODOLOGY**

In accordance with the provisions of Section 48 of the City of Miami's Charter, and at the request of a City Commissioner, the Office of Independent Auditor General (OIAG) conducted an audit of selected financial records and transactions of the City of Miami Tree Trust Fund (TTF), in order to provide the City Commissioners and Management objective and relevant information for use in promoting accountability, improving the TTF's operations, and attaining the objectives of the TTF.

The audit primarily covered the period October 1, 2014 through September 30, 2019, and focused on the following objectives:

- To determine if the City of Miami TTF was being administered in accordance with the City Code, and to ensure the restricted funds were used efficiently and effectively in meeting the objectives of the TTF.
- To recommend policies and procedures to increase efficiency and effectiveness in the administration of the TTF.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit methodology included the following:

- Interviews and inquiries of appropriate personnel
- Reviews of the City Code and other relevant information in order to gain an understanding of the purpose, objectives and operations of the fund.
- Observations of current practices and processing techniques
- Tests of applicable transactions and records
- Other audit procedures as deemed necessary

## **BACKGROUND**

Chapter 17 of the City Code provides for the receipt of equitable contributions for replacement trees to enhance and to restore tree canopy coverage in the City. Chapter 62, Article X of the City Code established the Tree Trust Fund (TTF) in 2004 to facilitate compliance with the tree replacement requirements of Chapter 17 of the City Code. The TTF is a special revenue fund that was established with monies collected pursuant to Chapter 17 and Section 8.1.6.6 of the Zoning Ordinance. It assists with the City's compliance with the U.S. Mayors' Climate Protection Agreement.

Expenditures from the TTF require authorization by the City Manager or his/her designee, upon written recommendation from the directors of the departments of Planning and Zoning, Code Enforcement, and/or Resilience and Public Works.

The TTF is to be maintained and administered by the City to pay for replacement trees to restore the loss of tree canopy cover in the city and to enhance tree canopy coverage and shrubs through means which may include, but are not limited to, the following activities by the city or its authorized agents:

- 1) "Not less than 80 percent of the trust fund shall be expended on tree replacement and restoration and enhancement of tree canopy coverage throughout the city during each fiscal year. These funds may be used for periodic distribution of saplings and shrubs to the public to enhance tree canopy coverage in the city. However, if the City Manager, or his/her designee, determines that there are insufficient reserves in the trust fund to implement a viable tree replacement program, funds may be carried over to the next fiscal year.
- 2) Not more than ten percent of the trust fund shall be expended on activities directly related to tree replacement and restoration and enhancement of tree canopy coverage throughout the city during each fiscal year, including, but not limited to, survey work, site inventory and analysis, landscape architectural design services, inspection services for new plantings, and other related project expenses and incidentals.
- 3) Not more than ten percent of the trust fund shall be expended during each fiscal year to provide training for code inspectors and for administrative costs directly related to the notice requirements of chapter 17 of this Code. Said training shall be directly related to the implementation of chapter 17 of this Code, including, but not limited to, training to properly identify the different tree and palm species and to properly grade the quality standards for new trees and palms, including the knowledge of proper planting, pruning, and landscape maintenance techniques."

Additionally, allowable expenditures may be authorized by the City Manager or his/her designee. However, City Commission approval is required for expenditures in excess of \$50,000.

Prior to fiscal year 2021, the former City Manager designated the Planning Department to maintain and administer the TTF. The TTF activities noted above were directly managed by the City's Chief of Environmental Resources in the Planning Department. However, for the fiscal year 2021, the environmental resources function and the TTF were transferred from the Planning Department to the Building Department.

## **AUDIT FINDINGS AND RECOMMENDATIONS**

Based on the results of our audit, we have concluded that the TTF has not been administered in accordance with Chapter 62, Article X of the City Code as follows:

- 1) Tree Trust Fund yearly expenditures did not meet the threshold set by City Code.
- 2) Unallowable expenses totaling \$93,315 were incurred using Tree Trust funds.
- 3) There were no written policies and procedures to administer the Tree Trust Fund.

Details of our findings and recommendations follow:

### **FINDING 1: TREE TRUST FUND YEARLY EXPENDITURES DID NOT MEET THE THRESHOLD SET BY CITY CODE**

City Code Chapter 62, Article X, Section 303(a)(1), established the TTF, which is to be maintained and administered by the City. The TTF is used for the purpose of procuring replacement trees to restore the loss of tree canopy coverage in the city, and to enhance tree canopy coverage and shrubs. The Code further establishes that,

“Not less than 80 percent of the trust fund shall be expended on tree replacement and restoration and enhancement of tree canopy coverage throughout the city during each fiscal year. These funds may be used for periodic distribution of saplings and shrubs to the public to enhance tree canopy coverage in the city. However, if the city manager, or his/her designee, determines that there are insufficient reserves in the trust fund to implement a viable tree replacement program, funds may be carried over to the next fiscal year.”

As noted in Table 1, only 2% to 47.9% of the TTF’s annual appropriations were expended each fiscal year during the period of 2015 through 2019, well below the threshold of 80% set by the City Code.

**TABLE 1**

<b>Tree Trust Fund Appropriations and Expenses</b>						
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
<b>Annual Budget Appropriation</b>	\$ 1,900,000	\$ 3,545,900	\$ 3,939,900	\$ 3,980,000	\$ 3,610,000	\$ 16,975,800
<b>80% of Appropriation</b>	1,520,000	2,836,720	3,151,920	3,184,000	2,888,000	13,580,640
<b>Tree Replacement and Restoration Expenditures</b>	\$ 72,617	\$ 71,899	\$ 542,207	\$ 1,905,717	\$ 934,508	\$ 3,526,948
<b>% of Appropriation Expended</b>	3.8%	2%	13.8%	47.9%	25.9%	20.8%

As a result, the TTF is not being effectively managed to utilize its resources to meet the objectives of City Code to expend more than 80% annually of funds on the distribution of saplings and shrubs to public areas to enhance tree canopy coverage in the City.

The City Code provides a provision which allows the City manager, or his/her designee, to carry over funds to the next fiscal year if there are insufficient reserves in the trust fund to implement a viable tree replacement program

Although there were sufficient revenues generated to implement a viable tree replacement program, at the end of each fiscal year during the period of 2015 through 2019, the remaining TTF balances ranging from \$1.8 million to \$3.6 million were carried over to the following year (see Table 2):

**TABLE 2: SCHEDULE OF TREE TRUST FUND REVENUES, EXPENSES AND FUND BALANCES**

	2015	2016	2017	2018	2019	Total
<b>Revenues</b>	\$ 2,076,745	\$ 1,101,394	\$ 1,342,016	\$ 707,553	\$ 1,357,190	\$ 6,584,898
<b>Expenses</b>						
1.Tree replacement/restoration	72,617	71,899	542,207	1,905,717	934,508	3,526,948
2.Activities directly related to tree replacement/restoration	147,987	-	44,231	89,841	3,662	285,721
3.Training for Code Inspectors and admin.costs	318	-	3,363	-	-	3,681
Unallowable Exps. (Finding 2)	5,820	11,227	9,323	62,442	4,503	93,315
Adjustments (Timing)	999	(536)	13,802	(11,854)	(1,944)	467
<b>Total Expenses</b>	<b>227,741</b>	<b>82,590</b>	<b>612,926</b>	<b>2,046,146</b>	<b>940,729</b>	<b>3,910,132</b>
<b>Year-End Fund Balance*</b>	<b>\$ 1,849,004</b>	<b>\$ 2,867,808</b>	<b>\$ 3,596,898</b>	<b>\$ 2,258,305</b>	<b>\$ 2,674,766</b>	

\*Year-end Fund Balance is the balance of available funds remaining after expenditures are deducted from revenues and the prior year-end fund balance.

### **RECOMMENDATION 1: BUILDING DEPARTMENT**

The TTF was managed by the Planning Department during the audit period but has since been transferred to the Building Department. Therefore, we recommend that the TTF administrators in the Building Department establish and implement program controls to ensure that a viable tree replacement is established that expends not less than 80% of available funds to properly utilize annual appropriations on tree replacement and restoration.

- **Auditee Response:** The Building Department will closely monitor all future expenditures for compliance.
- **Implementation Date:** FY 21-22

### **FINDING 2: UNALLOWABLE EXPENSES TOTTALLING \$93,315 WERE INCURRED USING TREE TRUST FUNDS**

The use of the TTF is restricted to three categories of expenses as prescribed by City Code 62.303(a):

- 1) "Not less than 80 percent of the trust fund shall be expended on tree replacement and restoration and enhancement of tree canopy coverage throughout the city during each fiscal year. These funds may be used for periodic distribution of saplings and shrubs to the public to enhance tree canopy coverage in the city. However, if the city manager, or his/her designee, determines that there are insufficient reserves in the trust fund to implement a viable tree replacement program, funds may be carried over to the next fiscal year.

- 2) Not more than ten percent of the trust fund shall be expended on activities directly related to tree replacement and restoration and enhancement of tree canopy coverage throughout the city during each fiscal year, including, but not limited to, survey work, site inventory and analysis, landscape architectural design services, inspection services for new plantings, and other related project expenses and incidentals.
- 3) Not more than ten percent of the trust fund shall be expended during each fiscal year to provide training for code inspectors and for administrative costs directly related to the notice requirements of chapter 17 of this Code. Said training shall be directly related to the implementation of chapter 17 of this Code, including, but not limited to, training to properly identify the different tree and palm species and to properly grade the quality standards for new trees and palms, including the knowledge of proper planting, pruning, and landscape maintenance techniques.”

Our audit disclosed that for the fiscal years 2015 through 2019, \$93,315 in unallowable expenses were incurred using TTFs. We classified the expenses incurred based on the type of expense and noted that the following items (see Table 3 below) could not be classified into any of the three categories of allowable expense activities per the City Code.

Unallowable Expenses incurred by the Tree Trust Fund		
Type of Expense	Amount	Explanation
Meals for Code Enforcement Trainings	\$ 1,556	The Code does not provide for meals during Code enforcement training
Computer Equipment	1,806	The Code does not provide for the purchase of computer equipment for employees that have duties/responsibilities unrelated to the Tree Trust Fund.
Donations / Contribution	2,500	The Code does not provide for charitable contributions or donations.
Environmental Resource Employee Certification Fees, Membership Fees, Training, Travel	18,168	The Code does not provide training and related expenses for the Environmental Resource Division employees
Miscellaneous Office Supplies	604	The Code does not allow for the purchase of miscellaneous office supplies
Promotional Giveaways: T-Shirts, Water Bottles, Tote Bags, Meals	11,653	The Code does not allow for promotional giveaways
Storm Damage	57,028	The Code does not provide for the replacement or mitigation of trees due to storm damages. The Planning Dept. obtained the approval of the City Manager for an emergency purchase of tree restoration services as a result of Hurricane Irma. The purchase was to be funded through the TTF and as reimbursable by FEMA. However, these expenditures were not submitted for to FEMA for reimbursement.
<b>Total Unallowable Expenses</b>	<b>\$ 93,315</b>	

## **RECOMMENDATION 2: BUILDING DEPARTMENT**

We recommend that the City reimburse the TTF for \$93,315 of restricted funds used for unallowable expenses.

We also recommend that policies and procedures be developed and implemented to ensure that expenses incurred with TTF's are directly related to those allowed by City Code.

- **Auditee Response:** The Building Department will coordinate with the Office of Management and Budget to reimburse the unallowable expenses and develop procedures to ensure that this does not happen again.
- **Implementation Date:** FY21-22

**FINDING 3: THERE WERE NO WRITTEN POLICIES AND PROCEDURES TO ADMINISTER THE TREE TRUST FUND**

Best practices provide that well-written policies and procedures help strengthen communication, create uniformity and consistency in performing day-to-day operations, set clear expectations for employees and help management assign responsibilities in accordance with applicable laws and regulations.

During our audit, we noted that City Management did not establish written policies and procedures to provide reasonable assurance that the TTF objectives would be achieved effectively and efficiently.

Without established and effective policies and procedures, there is an increased risk that job functions may not be performed consistently, and job knowledge during staff turnover or leave may be compromised. Additionally, the lack of policies and procedures creates an environment in which there is an increased risk of fraud, waste, or abuse.

**RECOMMENDATION 3: BUILDING DEPARTMENT**

Although the TTF was managed by the Planning Department during the audit period, it has since been transferred to the Building Department. Therefore, we recommend that the Building Department establish and implement formal policies and procedures for the TTF to ensure compliance with the City Code and to ensure that the TTF objectives are achieved. The policies and procedures should include the provisions outlined in the City Code including, but not limited to, the following:

- 1) Allocation of annual expenses based on the percentages outlined in the City Code.
  - 2) Review of expenses to determine that they are allowable based on being directly related to the objectives of the TTF per the City Code.
  - 3) Implementation of a viable tree trust program to fully utilize the annual budget appropriations.
- **Auditee Response:** The Building Department will develop procedures to ensure that this does not happen again.
  - **Implementation Date:** FY 21-22