

# **Audit of Activities Funded by Tag Fee Allocations to Miami-Dade County**

**Division of Air Resource Management**

**Report: A-1617DEP-027**

**Office of Inspector General**

**Internal Audit Section**

**Florida Department of Environmental Protection**

**June 29, 2017**

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The Office of Inspector General (OIG) conducted an audit of the tag fee provision under the Air Pollution Control Specific Operating Agreement (Agreement) between the Division of Air Resource Management (Division) and Miami-Dade County (County). This audit was initiated as a result of the Fiscal Year (FY) 2016-2017 Annual Audit Plan.

## **Scope and Objective**

The scope of this audit included the County's Local Air Pollution Control Program activities funded through tag fee a during the period of October 1, 2015 through September 30, 2016. The objective was to determine whether expenditures reflected in annual fiscal reports submitted by the County were allowable according to Chapter 403, Florida Statutes (F.S.), and the Agreement between the Division and County.

## **Methodology**

This audit was conducted under the authority of Section 20.055, F.S., and in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Our procedures included interviews with Division and County staff and review of County and Division documentation.

## **Background**

The Department of Environmental Protection (Department) administers programs approved or delegated by the United States Environmental Protection Agency (EPA). Section 403.182, F.S., authorizes the Department to approve local pollution control programs (Program) that assist the Department with meeting the Clean Air Act's regulatory, monitoring, and permitting requirements.

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The Agreement established the County as an approved Program. To fund the Program, the Agreement provides for the County's use of tag fees collected from each new vehicle registration, renewal, or transfer within the County. Tag fees returned to counties must be deposited into the Program trust fund and be used only for Program activities control of emissions from mobile sources and toxic and odor emissions, air quality monitoring, and facility inspections.

According to Section 320.03, F.S., the amount of tag fees returned to the County is based on the ending balance of the Program trust fund. If the fiscal year-end unencumbered balance of the County's Program trust fund is less than 50% of the tag fees returned to the County, the County receives 75% of the following year's tag fees. If the Program trust fund balance exceeds 50% of tag fees returned to the county, the county receives 50% of the following year's tag fee collections.

The table below shows the tag fees collected by the County and the amount returned to the County to fund the Program for the fiscal years ending September 30, 2014; September 30, 2015; and September 30, 2016.

<b>FISCAL YEAR ENDING</b>	<b>TAG FEE COLLECTIONS</b>	<b>TAG FEES RETURNED TO COUNTY</b>	<b>PERCENT OF COLLECTIONS RETURNED TO COUNTY</b>
September 30, 2014	\$2,316,830.00	\$1,737,622.50	75%
September 30, 2015	\$2,516,474.00	\$1,887,355.50	75%
September 30, 2016	\$2,518,367.00	\$1,888,775.25	75%

Section 12 of the Agreement requires the County to submit an Annual Fiscal Report to the Division within 60 days after the end of the County's fiscal year summarizing the Program activities funded by tag fees. As shown in the following table, for the fiscal year ended September 30, 2016, the County's Statement of Changes in Fund Balance reported an ending

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unencumbered balance equivalent to 48.39% of the County’s tag fee revenue, entitling the County to receive 75% of tag fees collected during the following County fiscal year.

<b>Beginning Unencumbered Fund Balance – October 1, 2015</b>	<b>\$762,942</b>
<b>Revenue</b>	
Tag Fees Returned to the County	\$1,888,775
Interest	\$1,939
<b>Total Revenue</b>	<b>\$1,890,714</b>
<b>Expenditures and Encumbrances</b>	
Expenditures	\$1,796,308
Deduct Prior Year Encumbrances	\$(104,539)
Add Current Year Encumbrances	\$47,877
<b>Total Expenditures and Encumbrances</b>	<b>\$1,739,645</b>
<b>Ending Unencumbered Fund Balance – September 30, 2016</b>	<b>\$914,011</b>

## Results

We reviewed the transactions listed on the Program’s Detailed Transaction Report provided by the County. As shown below, the Detailed Transaction Report supported the County’s Report of Current Year Revenues and Expenditures submitted with the Statement of Changes in Fund Balance for the fiscal year ended September 30, 2016.

	REPORT OF CURRENT YEAR REVENUES AND EXPENDITURES	DETAILED TRANSACTION REPORT
Direct Salaries	\$636,319.05	\$636,319.05
Fringe Costs	\$201,394.98	\$201,394.98
Administrative Support Costs <sup>1</sup>	\$285,452.72	\$285,452.72
Other Direct Expenditures	\$673,140.20	\$673,140.92
<b>Total Expenditures</b>	<b>\$1,796,306.95</b>	<b>\$1,796,307.67</b>

<sup>1</sup> Administrative Support costs allocate County administrative staffing support costs to the Program.

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According to interviews with County staff, tag fees returned to the County were deposited into a shared trust fund containing funds from other sources. To differentiate tag fees from other fund sources, each tag fee transaction was attributed with an index code designated by the County for tag fees.

#### Salary, Fringe, and Administrative Support Costs

To verify the salary costs reported by the County in the Report of Current Year Revenues and Expenditures, we reviewed staff timesheet entries and salary rate information. To verify reported fringe and Administrative Support costs, we applied the County's salary multipliers for fringe and Administrative Support costs.

Overall, the salary, fringe, and Administrative Support costs reported by the County in the Report of Current Year Revenues and Expenditures were supported by staff timesheets and salary rate information, and the County's salary multipliers for fringe and Administrative Support costs, with minor differences. None of the timesheet entries we reviewed were charged to the County's cost centers for Title V activities<sup>2</sup>. In addition, the County provided organization charts and position summaries for the County staff who charged hours to the Program.

#### Other Direct Expenditures

Using the Program's Detailed Transaction Report, we selected a sample of expenditures from each account<sup>3</sup> included on the County's Report of Current Year Revenues and Expenditures, for a sample of 40 transactions totaling \$296,266.14. For each sampled

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<sup>2</sup> The Department reimburses the County for Title V activities under a separate agreement that is funded through the collection of Title V operating permits. Accordingly, reimbursed Title V activities do not require the County's use of tag fees and should not be reported by the County as tag fee expenses.

<sup>3</sup> Excluding account 01 (*Personnel Services*) and subaccount 33050 (*Other General Operating Serv.*) of account 30 (*General and Administrative*), which were included in our verification of salaries, fringe, and Administrative Support costs.

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expenditure, we reviewed backup documentation and interviewed County staff to determine the purpose of the expenditure.

ACCOUNT	SAMPLE SIZE	SUPPORTED BY RECEIPTS AND TRANSACTION DOCUMENTATION
21 – Contractual Professional Services	7	7
22 – Other Contractual Services	2	2
24 – Maintenance and Repairs	2	2
25 – Rental and Leases	5	5
26 – Charges for County Services	2	2
30 – General and Administrative	13	13
40 – Commodities	3	3
95 – Machinery, Equipment <sup>4</sup>	6	6
<b>Total</b>	<b>40</b>	<b>40</b>

As shown above, all 40 sampled expenditures were supported by receipts and transaction documentation. In addition, all 40 sampled expenditures appeared to be allowable as Program expenses, in accordance with Chapter 403, F.S.

## Conclusion

Based on our review and analysis of support documentation and interviews with Division and County staff, reported Program expenditures were supported by backup documentation and appeared to be allowable tag fee expenses, as specified in Chapter 403, F.S. However, tag fees received by the County were not managed in accordance with Section 320.03, F.S, and Chapter 403, F.S., which require tag fees be deposited into a trust fund used solely for the Program.

Our finding and recommendation are contained in the remainder of this report.

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<sup>4</sup> Included the purchase of four new vehicles. We verified these vehicles were listed on the Program’s inventory and were primarily used by Program staff.

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## **Finding and Recommendation**

### **Finding: Local Pollution Control Program Trust Fund**

According to Section 320.03, F.S., tag fees returned to the County must be deposited *into a local air pollution control program trust fund, which must be established by the county and used only for air pollution control programs relating to the control of emissions from mobile sources and toxic and odor emissions, air quality monitoring, and facility inspections pursuant to chapter 403 or any similar ordinance.*

For the fiscal year ended September 30, 2016, the County's Annual Fiscal Report submitted to the Division included the County's certification that *all license registration fees [tag fees] distributed to the local air program by the department for the county fiscal year just ended were deposited into the Local Air Pollution Control Trust Fund [sic].* However, based on our review of the County's support documentation and interviews with County staff, tag fees returned to the County were not deposited into a dedicated trust fund used solely for air pollution control program activities. In lieu of using a dedicated trust fund, the County deposited tag fees into a shared trust fund and attributed each tag fee transaction with an index code designated for tag fees.

According to the Uniform Accounting System Manual for Florida Local Governments published by the Department of Financial Services, trust funds are *segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with certain defined regulations, restrictions and limitations.* By integrating tag fees with other funds, the County provides limited assurance that tag fees returned to the County will be dedicated only for *carrying on specific activities* included in Section 320.03, F.S.



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**Recommendation**

We recommend the Division direct the County to establish a Local Pollution Control Program trust fund segregating tag fees from other funds, as required by Section 320.03, F.S.

*To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of Section 20.055, F.S., and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The audit was conducted by Gabriel Earnest and supervised by Valerie J. Peacock.*

*Please address inquiries regarding this report to the OIG's Audit Director by telephone at (850) 245-3151. Copies of final reports may be viewed and downloaded via the internet at <http://www.dep.state.fl.us/ig/reports.htm>. Copies may also be obtained by telephone (850) 245-3151, by fax (850)245-2994, in person or by mail at Department of Environmental Protection, Office of Inspector General, 3900 Commonwealth Boulevard, Mail Station #41, Tallahassee, FL 32399.*

*Valerie J. Peacock,  
Director of Auditing*

*Candie M. Fuller,  
Inspector General*



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## MEMORANDUM

**TO:** Valerie Peacock, Director of Auditing  
Office of the Inspector General

**FROM:** Jeffery F. Koerner, Director  
Division of Air Resource Management

**SUBJECT:** Preliminary Report for Audit of Activities by Tag Fee Allocations for Miami-Dade County

**DATE:** June 27, 2017

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The division acknowledges receipt of the preliminary report for the Audit of Activities by Tag Fee Allocations to Miami-Dade County.

The report identifies one finding: the County does not maintain a dedicated trust fund used solely for air pollution control program activities as required by Section 320.03, F.S. The Office of Inspector General recommends that the County establish a Local Air Pollution Program trust fund that segregates tag fees from other funds not specifically related to air pollution control program activities.

Before the end of July 2017, the division plans to initiate a discussion with Miami-Dade County regarding the establishment of a separate Local Air Pollution Program trust fund. We will also follow up with other approved local air programs to ensure that they have separate Local Air Pollution Program trust funds as well. At this time, we are unsure as to how this may impact the County. As an initial goal, we will try to resolve this before the end of the calendar year.

I trust that this response satisfies Section 20.055, Florida Statutes, regarding a written response to the recommendation within 20 working days of receipt of the report.

Please call me if you have any questions or need more information.