



Department of Environmental Protection Office of Inspector General

July 24, 2024

Report A-2223DEP-004

Audit of Florida Department of Health in Palm Beach County for Air Pollution Control Program Activities Funded by Tag Fee Allocations

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of the Specific Operating Agreement (Agreement) between the Department's Division of Air Resource Management (Division) and the Florida Department of Health Palm Beach County, Division of Environmental Public Health, Air and Waste Section (County). This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2022-2023.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the audit included the County's Local Air Pollution Control Program's (Program) activities funded through tag fees during the period October 1, 2019, and ending July 31, 2022. The objective of the audit 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 the County.

To achieve our audit objective, our methodology included:

- Reviewing the County's original and restated Year End Financial Statements.
- Reviewing Division Tag Fee Determinations for Fiscal Years (FY) 2018-2019, 2019-2020, and 2020-2021.
- Reviewing statutory and Agreement requirements and authoritative documentation.
- Interviewing Division and County staff regarding invoice submission, Division agreement monitoring and County expenditures.

BACKGROUND

The Department administers programs approved or delegated by the United States Environmental Protection Agency. Section 403.182, F.S., authorizes the Department to approve local pollution control programs that assist the Department with meeting the Clean Air Act's regulatory, monitoring, and permitting requirements. Pursuant to section 320.03(6), F.S., a nonrefundable fee of \$1 shall be charged on every license registration sold, transferred, or replaced. This fee must be deposited in the Air Pollution Control Trust Fund established in the Department and used only for purposes of air pollution control pursuant to chapter 403, F.S. Per section 403.182, F.S., each county and municipality may establish and administer a local pollution control program which must be approved by the Department. The Agreement authorized the County to act on the Department's behalf as an approved Program. As an approved Program, pursuant to section 403.182, F.S., and the terms of the Agreement, the County is eligible to receive a portion of state tag fee monies. The tag fee monies must be deposited in the County's trust fund, be used only for the approved Program, and must not be comingled with other accounts or monies from other programs or sources.

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According to section 320.03, F.S., the amount of tag fee monies returned to the County is based on the ending balance of the County's Program trust fund. The County shall receive 75 cents (75%) of the fee from each license registration sold, transferred, or replaced in the County. However, if the County's Program trust fund has an unencumbered balance at the end of the preceding fiscal year of more than 50 percent of the preceding year's allocation, the Department may retain any amount above 50 cents (50%) of the fees from each license registration sold, transferred, or replaced in the County for the following fiscal year. The table below shows the tag fees collected by the County and the amount returned to the County for the fiscal years ending September 30, 2020, and September 30, 2021. During these fiscal years, the County was eligible to receive 75% of collected tag fees in fiscal years ending 2020 and 2021.

| County Fiscal Year | Tag Fee Collections | Amount Returned to the County | % of Collections Returned |
|---------------------------|----------------------------|--------------------------------------|----------------------------------|
| 2019-2020 | \$1,486,441.00 | \$1,114,830.75 | 75% |
| 2020-2021 | \$1,620,472.00 | \$1,171,090.39 | 75% ¹ |

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's activities funded by tag fees. As shown in the following table, for the fiscal year ended September 30, 2021, the County's Statement of Changes in Fund Balance reported an ending unencumbered balance equivalent to more than 50% of the County's tag fee revenue, entitling the County to receive 50% of tag fees collected during the following County fiscal year.

| County Statement of Changes in Fund Balance Restated For Fiscal Year ended 9/30/2021 | |
|---|---------------------------|
| Revenue | |
| <i>Adjusted Beginning unencumbered Fund Balance</i> | \$514,670.09 |
| <i>Tag Fee Revenue</i> | 1,171,090.39 |
| Total Revenue | \$1,685,760.48 |
| Expenditures | |
| <i>Expenditures</i> | (\$1,313,570.14) |
| <i>Outstanding Contract Encumbrances</i> | 342,483.28 |
| Total Expenditures | \$971,086.86 |
| Total Ending Fund Balance | \$714,673.62 |

RESULTS OF AUDIT

At the end of each fiscal year, the County submits financial documentation showing the beginning balance of the County's Program trust fund, revenue, interest, expenditures, encumbrances, and ending balance. Additionally, the County maintains a General Ledger detailing the County's tag fee expenditures. We reviewed the total expenditures recorded on the General Ledger and the total expenditures reported on the year-end financial statements. A summary of our review is below.

¹ As a result of limited available fiscal year funding within the Department's Air Pollution Control Trust Fund, all Department approved Programs received reduced percentage tag fee reimbursement for June 2021.

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Interest Accrued

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.* The County has established a local air pollution control trust fund. The County's tag fee revenues are deposited into this fund. However, the County has subtracted interest earned in the trust fund, and as a result, the County's adjusted balance excluded accruing interest revenue which should have been used in the calculation of the ending unencumbered balance.

Per section 320.03, F.S., the amount of tag fees returned to the County is based on the ending balance of the County's Program trust fund from the previous fiscal year. 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's trust fund balance exceeds 50% of tag fees returned to the County, the County receives 50% of the following year's tag fee collections. Based on the County's reporting for fiscal year ending September 30, 2020, the County received 75% tag fees for the following fiscal year and 50% for the year ending September 30, 2021 (see table below).

| County Statement of Changes in Fund Balance AS REPORTED by the County | | |
|--|---------------------|---------------------|
| | FY 2019-2020 | FY 2020-2021 |
| Beginning Fund Balance as of September 30th | \$379,198.34 | \$514,670.09 |
| Tag Fee Revenue – (Not including Interest Earned) | 1,114,830.75 | 1,171,090.39 |
| Total Revenue Balance | 1,494,029.09 | 1,685,760.48 |
| Total Expenditures and Encumbrances | (979,359.00) | (971,086.86) |
| Ending Fund Balance as of September 30th - Reported | 514,670.09 | 714,673.62 |
| 50% of Total Revenue as Reported - (maximum amount allowable for ending balance in order to receive 75%) | \$557,415.38 | \$585,545.20 |
| Tag Fee Rate Earned for following Fiscal Year | 75% | 50% |

Had the County accounted for the interest properly in the revenue earned, the County would have still qualified for the same tag fee rates (see table below).

| County Statement of Changes in Fund Balance With Interest Included | | |
|--|---------------------|---------------------|
| | FY 2019-2020 | FY 2020-2021 |
| Beginning Fund Balance as of September 30 | \$379,198.34 | \$514,670.09 |
| Tag Fee Revenue | 1,114,830.75 | 1,171,090.39 |
| Interest Earned | 8,986.31 | 5,111.98 |
| Total Balance | 1,503,015.40 | 1,690,872.46 |
| Total Expenditures and Encumbrances | (979,359.00) | (971,086.86) |
| Ending Fund Balance as of September 30th | \$523,656.40 | \$719,785.60 |
| 50% of Total Revenue as Reported - (maximum amount allowable for ending balance in order to receive 75%) | \$561,908.53 | \$588,101.18 |
| Tag Fee Rate Earned for following Fiscal Year | 75% | 50% |

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Salaries, Fringe, and Indirect Costs

To verify the salary costs reported by the County in the Year-end Financial Statements and the General Ledger, we reviewed payroll registers. To verify reported fringe and indirect costs, we applied the County's salary multipliers for fringe and indirect costs. Overall, the salary, fringe, and indirect costs reported by the County in the General Ledger were supported by payroll registers and the County's salary multipliers for fringe and indirect costs. In addition, the County provided organization charts and position summaries for the County staff who charged hours to the Program.

Expenditures

To determine the accuracy of the County's expenditures, we selected 17 sample expenditure transactions totaling \$72,948.46, excluding salaries and fringe recorded in the General Ledger. For each sampled transaction we requested backup documentation to support the transaction amount and to verify if the transaction was an allowable tag fee expenditure. All sampled expenditures were supported by receipts and transaction documentation. Based on the results of our analysis, we determined that all 17 sampled expenditures appeared to be allowable as Program expenses, in accordance with Chapter 403, F.S.

CONCLUSION

Based on our review and analysis of supporting 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, the accrued interest on the tag fee County trust fund was not managed in accordance with Section 320.03, F.S., and Chapter 403, F.S. Our finding and recommendation is listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Local Pollution Control Program Trust Fund – The County excluded interest earned in the County's Program trust fund when calculating the trust fund total revenue.

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*. The County has established a local air pollution control trust fund. The County's tag fee revenues are deposited into this fund. However, the County has subtracted interest earned in the trust fund, and as a result, the County's adjusted balance excluded accruing interest revenue which should have been used in the calculation of the ending unencumbered balance.

Per section 320.03, F.S., the amount of tag fees returned to the County is based on the ending balance of the County's Program trust fund from the previous fiscal year. 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's trust fund balance exceeds 50% of tag fees returned to the County, the County receives 50% of the following year's tag fee collections. Based on the County's reporting for fiscal year ending September 30, 2020, the County qualified to receive 75% of tag fees for the following fiscal year, and for fiscal year ending September 30, 2021, the County qualified to receive 50% of tag fees for the following fiscal year (see table below).

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| Total Revenue Balance | 1,494,029.09 | 1,685,760.48 |
| Total Expenditures and Encumbrances | (979,359.00) | (971,086.86) |
| Ending Fund Balance as of September 30th - Reported | 514,670.09 | 714,673.62 |
| 50% of Total Revenue as Reported - (maximum amount allowable for ending balance in order to receive 75%) | \$557,415.38 | \$585,545.20 |
| Tag Fee Rate Earned for following Fiscal Year | 75% | 50% |

If the interest had been accounted for in the revenue earned, the County would have still qualified for the 75% and 50% tag fee rates (see table below). However, without complete reporting by the County, the Division cannot be assured the County's unencumbered balance is being reported accurately.

| County Statement of Changes in Fund Balance With Interest Included | | |
|--|---------------------|---------------------|
| | FY 2019-2020 | FY 2020-2021 |
| Beginning Fund Balance as of September 30 | \$379,198.34 | \$514,670.09 |
| Tag Fee Revenue | 1,114,830.75 | 1,171,090.39 |
| Interest Earned | 8,986.31 | 5,111.98 |
| Total Balance | 1,503,015.40 | 1,690,872.46 |
| Total Expenditures and Encumbrances | (979,359.00) | (971,086.86) |
| Ending Fund Balance as of September 30th | \$523,656.40 | \$719,785.60 |
| 50% of Total Revenue as Reported - (maximum amount allowable for ending balance in order to receive 75%) | \$561,908.53 | \$588,101.18 |
| Tag Fee Rate Earned for following Fiscal Year | 75% | 50% |

Recommendations:

We recommend the Division work with the County to ensure the accuracy of the County's reported unencumbered balance. We also recommend the Division maintain the County's allocation of tag fees to 50% of the amount collected until the Division is assured the County's financial reporting is accurate and reliable.

Management's Response:

The Division has reviewed the findings and recommendations as outlined in the Audit Report regarding Florida Department of Health in Palm Beach County for Air Pollution Control Program Activities Funded by Tag Fee Allocations and agrees with the findings.

Program leadership has modified their approved local air program's Specific Operating Agreements (SOAs) to include an interest accounting provision within them. The added provision states that Local Agencies will maintain records of the interest earned on funds held within their Local Agency's air pollution control trust fund and will be required to report the fund balances and interest earned within 30 days of written request from the Department or Division.

STATEMENT OF ACCORDANCE

Statement of Accordance

The Mission of the OIG is to promote accountability, integrity, and efficiency by providing quality audits, investigations, management reviews, and technical assistance.

This work product was prepared pursuant to § 20.055, Florida Statutes, in accordance with the *Principles and Standards for Offices of Inspectors General* as published by the Association of Inspectors General and the *International Standards for the Professional Practice of Internal Auditing*, as published by the Institute of Internal Auditors, Inc. The audit was conducted by Natasha Toth and supervised by Susan Cureton.

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