November 20, 2024 Report A-2324DEP-030

Audit of Pinellas 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 Pinellas County (County) for Air Pollution Control Program activities funded by tag fee allocations. This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2023-2024.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this audit includes a review of the County's Local Air Pollution Control Program activities funded through tag fee allocations from October 1, 2022, through September 30, 2023. The objective of the audit was to determine whether expenditures reflected in annual fiscal reports submitted by the County were accurate and allowable in accordance with Chapter 403 and Chapter 320, Florida Statutes (F.S.), and the Specific Operating Agreement (Agreement) between the Department and County.

To achieve our audit objectives, our methodology included:

- Reviewing the County's Annual Fiscal Report.
- Reviewing Division Tag Fee Determinations for Fiscal Year 2022-2023.
- Reviewing statutory and Agreement requirements and authoritative documentation.
- Interviewing Division and County staff regarding invoice submission, Division agreement monitoring and County expenditures.

BACKGROUND

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 by 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 (Program) which must be approved by the Department. The Agreement authorized the County to act on the Department's behalf as an approved Program. Oversight of the Agreement is provided by the Division of Air Resource Management (Division).

As an approved Program, pursuant to Section 403.182, F.S., and per 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 a specific County trust fund, and used only for the approved Program, and cannot be comingled with other accounts or monies from other programs or sources, such as grants from the federal government. 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. Based on the County's Annual Fiscal Reports for fiscal years ending in 2022 and 2023, the County received 75% of collected tag fees (see table below).

County Fiscal Year	Tag Fee Collections	Amount Returned to the County	% of Collections Returned
2021 - 2022	$1,982,113.74	$1,486,584.75	75%
2022 - 2023	$1,582,455.00	$1,186,841.25	75%

RESULTS OF AUDIT

As stated in the Agreement, *The Local Agency* [County] *will summarize its activities that have been funded by tag fees in a report to DARM* [Division] *submitted with the tag fee certification, sixty (60) days after the end of each county fiscal year.* The County's fiscal year runs from October 1 to September 30. 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. To determine whether expenditures reflected in the County's Annual Fiscal Report for fiscal year 2022-2023 were accurate and allowable, we reviewed the County's financial and personnel records. A summary of our review is below.

County 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*. Our review found the County had established a local air pollution control trust fund, and the County's tag fee revenues were deposited into the fund.

General Ledger Expenditures

The County maintains a General Ledger detailing the County's tag fee expenditures. We compared the total expenditures recorded in the General Ledger to the total expenditures reported on the year-end financial statements. Based on our review, the expenditures appeared to be consistent among the General Ledger and financial statements with minor discrepancies noted.

Operating Expenses

To determine whether reported expenditures were allowable, we reviewed a sample of transactions. For each transaction sampled, we requested supporting documentation from the County to verify if the transaction was an allowable tag fee expenditure. Based on our review, all sampled transactions appeared to be supported by receipts and appeared to be allowable expenses, in accordance with Chapter 403, F.S.

Salary Expenses

To verify the salary costs reported in the County's Annual Fiscal Report and General Ledger, we reviewed the County's timesheet and salary records. Additionally, the County provided organizational charts and position summaries for County staff who charged hours to the tag fee program. We compared timesheet records and salary information to the totals reported in the County's Annual Fiscal Report. Based on our review, we were unable to reconcile staff timesheets and salary records with the salary expenses reported in the County's Annual Fiscal Report.

We requested the County provide supporting documentation to show how they calculated the salary amounts reported in the Annual Fiscal Report. County staff described their process but were unable to provide backup documentation to support the salary amounts reported. Based on interviews with County staff, they stated the reported year-end financial data was based on the month staff was paid and not on the hours staff worked during the month. Utilizing the County's payroll schedule, provided timesheets, and salary data, we recalculated salary totals by a sample of object codes, and compared the totals to the amounts reported in the County's Annual Fiscal Report. Based on the provided documentation and calculation instructions received from the County, our analysis found some discrepancies as detailed below.

County Fiscal Year Salary Analysis October 1, 2022 - September 30, 2023	
County General Ledger Object Code: 511001 Executive Salaries	
County Annual Fiscal Report	$97,762.21
Timesheet/County Provided Data Analysis	$95,367.97
Difference	$2,394.24
County General Ledger Object Code: 5120001 - Regular Salaries & Wages	
County Annual Fiscal Report	$436,707.32
Timesheet/County Provided Data Analysis	$423,172.52
Difference	$13,534.80
County General Ledger Object Code: 5140001 - Overtime Pay	
County Annual Fiscal Report	$4,800.30
Timesheet/County Provided Data Analysis	$4,065.00
Difference	$735.30

Title V Expenditures

The County has a separate Department executed Title V Grant Agreement which allows the Division to reimburse County salaries, fringe benefits, and indirect costs for Title V activities that occurred during the State's fiscal year (July 1 through June 30). The Title V Grant Agreement provides the funding details on the total Title V funding amount available to the County and provides how those funds are allocated for County staff salary/wages, fringe benefits, and indirect costs. The County submits quarterly Title V invoices to the Division that provide staff hours and salary allocations associated with Title V work related activities requesting cost reimbursement from the Department.

Based on our review of timesheets and salary data, we found some salary expenses reported in the Annual Fiscal Report for tag fees also contained expenditures for hours worked on Title V activities. Those same Title V salary expenses appear to have already been reimbursed by the Department under the County's separate Title V Grant Agreement. In accordance with Section 403.0873, F.S, *Any approved local pollution control program that accepts funds from the department as reimbursement for service it performs in the implementation of the major source air-operation permit program…. is prohibited from collecting additional fees attributable to such services from any source permitted under s. 403.0872 F.S.* Since we were unable to verify salary expenses reported by the County, we were also unable to determine if the Department reimbursed indirect and fringe benefit costs related to Title V, that had already been reimbursed under the Title V Grant Agreement, are being claimed as tag fee expenditures.

Fringe and Indirect Costs

Indirect related costs are budgeted based upon the County's Cost Allocation Plan that is created by an independent consulting firm. Upon request, the County provided copies of their Cost Allocation Plans and 2023 fiscal year calculated fringe rates. Based on our review, the County used the correct rates in their financial reports; however, since we were unable to verify salary expenses reported by the County, we were also unable to determine the accuracy of the total for indirect and fringe costs.

Tag Fee Percentage Returned

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. Based on the County's reporting for fiscal years ending 2022 and 2023, the County received 75% of collected tag fees. Since we were unable to verify the accuracy of the salary expenses reported, we were also unable to determine whether the 75% percentage was appropriate for fiscal year 2022-2023.

CONCLUSION

To determine whether expenditures reflected in the County's Annual Fiscal Report were accurate and allowable, we reviewed the County's financial and personnel records. Based on our review, the County's General Ledger appeared to be consistent with their financial reports with minor discrepancies noted. However, due to lack of supporting documentation, we were unable to verify whether salary expenses on the County's Annual Fiscal Report were accurately reported. Additionally, our review found salary expenses for Title V activities were also reported as tag fee expenditures, even though they had already been reimbursed by the Department under the Title V grant program. Our finding and recommendations are listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Salary Expenses and Title V Costs – The accuracy of salary expenses reported on the County's Annual Fiscal Report could not be verified and also included salary expenditures that may have been previously reimbursed under the County's Title V grant program.

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. To verify the salary expenses reported in the County's Annual Fiscal Report and General Ledger, we reviewed the County's timesheet and salary records. Additionally, the County provided organizational charts and position summaries for County staff who charged hours to the tag fee program. We compared timesheet records and salary information to the totals reported in the County's Annual Fiscal Report. Based on our review, we were unable to reconcile staff timesheets and salary records with the salary expenses reported in the County's Annual Fiscal Report. We requested the County provide supporting documentation to show how they calculated the salary amounts reported in the Annual Fiscal Report. County staff described their process but were unable to provide backup documentation to support the salary amounts reported. Based on interviews with County staff, they stated the reported year-end financial data was based on the month staff was paid and not on the hours staff worked during the month. Utilizing the County's payroll schedule, provided timesheets, and salary data, we recalculated salary totals by a sample of object codes, and compared the totals to the amounts reported in the County's Annual Fiscal Report. Based on the provided documentation and calculation instructions received from the County, our analysis found some discrepancies.

The County had a separate Department executed Title V Grant Agreement which allows the Division to reimburse County salaries, fringe benefits, and indirect costs for Title V activities that occurred during the State's fiscal year (July 1 through June 30). The Title V Grant Agreement provides the funding details on the total Title V funding amount available to the County and provides how those funds are allocated for County staff salary/wages, fringe benefits, and indirect costs. The County submits quarterly Title V invoices to the Division that provide staff hours and salary allocations associated with Title V work related activities requesting cost reimbursement from the Department. Based on our review of timesheets and salary data, we found some salary expenses reported in the Annual Fiscal Report for tag fees also contained expenditures for hours worked on Title V activities. Those same Title V salary expenses appear to have already been reimbursed by the Department under the County's separate Title V Grant Agreement. In accordance with Section 403.0873, F.S, *Any approved local pollution control program that accepts funds from the department as reimbursement for service it performs in the implementation of the major source air-operation permit program…. is prohibited from collecting additional fees attributable to such services from any source permitted under s. 403.0872 F.S.* Since we were unable to verify salary expenses reported by the County, we were also unable to determine if the Department reimbursed indirect and fringe benefit costs related to Title V, that had already been reimbursed under the Title V Grant Agreement, are being claimed as tag fee expenditures.

Based on the County's reporting for fiscal years ending 2022 and 2023, the County received 75% of collected tag fees. Since we were unable to verify the accuracy of the salary expenses reported, we were also unable to determine whether the 75% percentage was appropriate for fiscal year 2022-2023.

Recommendations:

We recommend the Division work with the County to ensure the accuracy of salary information reported in the County's Annual Fiscal Report, including the maintenance of supporting documentation. We also recommend the Division work with the County to determine whether any reimbursements for Title V salary expenses were made under both the tag fee program and the Title V grant program and seek reimbursement for any duplicate costs as deemed appropriate.

Management Response:

DARM is committed to implementing OIG's recommendations. DARM will work closely with the County's local air program administrator to ensure that the County's fiscal officer(s), program leaders, and staff understand OIG's audit findings, that they recognize their obligation to maintain detailed supporting documentation for each expense charged to the tag fee program, and that they conduct periodic self-audits of air program expenses and share the results of these audits with DARM. DARM will also work with the County to determine whether any past reimbursements for Title V salary expenses included expenses that had been charged to the tag fee program. DARM will confirm that the County is crediting Title V program expense reimbursements to the correct local accounts (i.e., if funds from the County's tag fee account are used for expenses that are later reimbursed under the Title V program, the tag fee account is credited with those reimbursements, and records of these credits are evident in supporting documentation). If such practices are not evident, DARM will work with the County to ensure that it is implementing the correct procedures. DARM will consider the extent to which an amendment to the County's Specific Operating Agreement may be needed to codify these additional accounting and reporting obligations.

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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