

Audit of Title V Program Administration

Division of Air Resource Management

Report: A-2021DEP-012

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

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The Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of the Division of Air Resource Management (Division) administration of the Clean Air Act Title V major stationary source air-operating program (Title V Program). This audit was initiated as a result of the Fiscal Year (FY) 2020-2021 Annual Audit Plan.

Scope and Objectives

The scope of the audit included the Division's Title V Program revenues, activities, and cost during FY 2019-2020. The objective was to determine whether the Department's Title V Program revenues were used solely to support the direct and indirect cost of activities associated with the Title V Program.

Methodology

This audit was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in conformance with *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. According to Section 403.0872(11)(c), F.S., *An annual audit of the major stationary source air-operation permit program must be conducted 2 years after the United States Environmental Protection Agency has given full approval of the program to ascertain whether the annual operation license fees collected by the department are used solely to support any reasonable direct and indirect costs as listed in paragraph (b). A program audit must be performed biennially after the first audit.* This audit was conducted in accordance with the requirements under this section. Our procedures included review of authoritative documentation, Department financial documents associated with Title V

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Program costs, Division records, contracts, and interviews with Division staff. The scope of this audit and our procedures did not include a review of expenditures by contracted Local Programs.

Background

Title V of the Federal Clean Air Act Amendments of 1990 required all state and local permitting authorities to develop operating permit programs that met certain federal criteria. On July 2, 2001, the United States Environmental Protection Agency (EPA) awarded the Department approval for the Clean Air Act operating permit program under 40 CFR Part 70. According to Section 403.0872(11)(b), F.S., annual operation license fees collected by the Department must be sufficient to cover all reasonable direct and indirect costs required to develop and administer the Title V Program.

The Department's Title V Program is administered through the Division and the Department's six regulatory Districts. The Division has also executed contracts with six counties for administration of the Title V Program within their contract jurisdiction. The Air Pollution Control Trust Fund (APCTF) created under Section 403.0874, F.S. is used for all Title V Program revenues and costs. During FY 2019-2020, reported Title V Program revenues and expenses were as follows.

FY 2019-2020 Title V Program Revenue	
Title V Program Revenues	\$3,267,010
FY 2019-2020 Title V Program Costs	
Salaries & Fringe Benefits	\$1,912,108
Direct Expenses	\$87,559
Indirect Expenses	\$808,057
Local (County) Title V Program Cost	\$731,212
Total Title V Program Costs	\$3,538,936
Net Change to the APCTF	(\$271,926)

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Results

Title V Program Revenue

Annual operation license fees collected by the Department for the Title V Program are deposited in the APCTF. The Division reported \$3,267,010 in revenue for fees collected in FY 2019-2020. This amount was supported by the Department's Florida Accounting Information Resource¹ (FLAIR) records for revenue object codes associated with major stationary source air-operating license fees.

Title V Program Costs

We reviewed support documents to verify the accuracy of reported costs. The Division reported FY 2019-2020 Title V Program costs as follows.

Description	Cost
Salaries and Wages	\$1,119,698
Fringe Benefits	\$792,410
Materials and Services	\$672
Contract Services	\$86,887
Indirect Expenses	\$808,057
Local (County) Title V Program Costs	
Broward	\$36,616
Dade	\$220,895
Hillsborough	\$299,955
Palm Beach	\$104,056
Pinellas	\$19,707
Orange	\$49,983
Total Title V Program Costs	\$3,538,936

Salaries and Wages

Amounts reported for salaries and wages were supported by payroll entries with Title V Program designated expenditure cost modules in the Department's Payroll Expense Allocation System (PEAS) reports. For the positions with designated salary and wage expenditures in the

¹ FLAIR is the State's computer-based general ledger accounting system.

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PEAS report, we reviewed Position Descriptions and interviewed staff to verify that duties for those staff included Title V Program activities.

Fringe Benefits

The amounts reported for fringe benefits were calculated using the Department's indirect cost rate for fringe benefits as approved by EPA for FY 2019-2020 federal grants. Title V Program revenues are generated from the collection of operational license fees and are not associated with a federal grant. However, as a federally delegated program, the Division has applied the rates to costs associated with the Title V Program. According to the Division's Office of Business Planning, Title V Program fees are considered federally related revenue that are exempt from the state's General Revenue surcharge. Consistent with this exemption, the Division applies federally approved indirect rates to Title V Program costs. We recalculated the amount reported for fringe benefits and verified that the approved rate of 70.77% was applied to the cost of direct salaries and wages.

Materials and Services

The amount reported for materials and services was supported by FLAIR reports with Title V Program cost modules. This amount represented costs associated with the lease for a copier that is used by the Division for Title V Program activities. The Division uses the copier for both Title V Program and non-Title V Program activities. As such, the cost allocated to the Title V Program represented six of the 12 monthly invoiced cost.

Contract Services

The amount reported for contract services represented Division costs for an Information Technology (IT) contracted Applications Development Analyst. We reviewed Purchase Order

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invoice support documentation and verified that the IT systems maintained by this position were used in support of Title V Program permit activities. The position also works partially in support of other Division IT systems. As a result, the cost allocated to the Title V Program represented only seven of the 12 monthly invoiced IT costs.

Indirect expenses

The amount reported for indirect expenses was calculated using the Division's approved federal indirect cost rate of 42.26% for FY 2019-2020. We recalculated the amount reported for indirect expenses and verified that the approved indirect rate was applied to the total amount for salaries, wages, and fringe benefits consistent with the Department's approved Indirect Cost Plan from EPA.

Local (County) Program Costs

Local Program Costs are based on each County's workload and volume of permitted sources. We reviewed the six Local Program Agreements managed by the Division for FY 2019-2020. Based on this review, the Agreement Grant Work Plans included activities consistent with the Title V Program. Further, we verified that the amounts paid to each of these Counties during FY 2019-2020 were accurately reported.

Conclusion

Based on our audit of the Division's administration, Department Title V Program revenues were used solely to support the direct and indirect cost of activities associated with the Title V Program.

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Management Comment

Title V Program Revenues

According to Section 403.0872(11), F.S., each major source of air pollution permitted to operate in Florida must pay an annual operation license fee. The annual fee is assessed based on the source's previous year's emissions and is calculated by multiplying the annual operation license fee factor times the tons of each regulated air pollutant emitted. According to Section 403.0872(11)(a)(1), F.S., *The license fee factor is \$25 or another amount determined by department rule which ensures that the revenue provided by each year's operation license fees is sufficient to cover all reasonable direct and indirect costs of the major stationary source air-operation permit program established by this section. The license fee factor may be increased beyond \$25 only if the secretary of the department affirmatively finds that a shortage of revenue for support of major stationary source air-operation permit program will occur in the absence of a fee factor adjustment. The annual license fee factor may never exceed \$35.* The Department's current license fee factor is \$30. During FY 2019-2020, Title V Program costs exceeded revenues as follows.

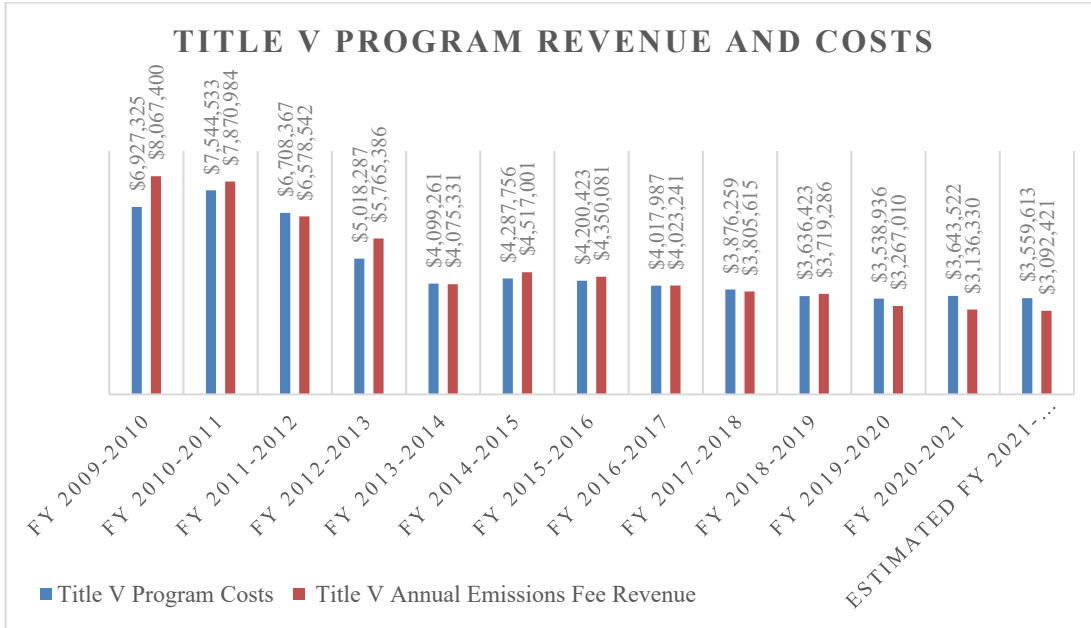
FY 2019-2020 Title V Program Revenues and Costs	
Title V Program Revenues	\$3,267,010
Total Title V Program Costs	\$3,538,936
Net Change to the APCTF	(\$271,926)

While the Department's Program costs exceeded revenues by \$271,926 during FY 2019-2020, in prior years revenues exceeded Program costs, contributing to an excess balance of Title V Program funds of \$5,021,775 at the end of FY 2019-2020. According to the Division's Office of Business Planning, as state industry emissions have declined in recent years, revenues from

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the collection of these annual fees collected have also declined. However, Title V Program costs have remained generally consistent per the following table.



Title V Program revenues have steadily declined since FY 2014-2015. As noted by the Division, this trend is expected to continue. Given these current trends, the Division would benefit in the coming fiscal years from a review of Program costs and the current application of the license fee factor to ensure that the revenue provided by each year’s operation license fees continues to be sufficient to cover all reasonable direct and indirect costs.

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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 Cindy Newsome 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 <https://floridadep.gov/oig/internal-audit/content/final-audit-reports>. 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.

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