Department of Environmental Protection
Office of Inspector General

June 8, 2026 Report A-2526DEP-020

Audit of Title V Program Administration

INTRODUCTION

In accordance with the Office of Inspector General (OIG) Annual Audit Plan for Fiscal Year (FY) 2025-2026, and Section 403.0872(11)(c), Florida Statutes (F.S.), the Florida Department of Environmental Protection (Department) OIG conducted an audit of Title V Program Administration to ascertain whether annual operation license fees are used solely to support reasonable direct and indirect costs of the Title V Program.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the audit included the Department's Division of Air Resource Management's (Division) administration of the Clean Air Act Title V activities, revenues, and expenses from July 1, 2024, to the present. The objective of this audit 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.

To achieve our audit objectives, our methodology included:

- Reviewing applicable statutes, regulations, and other authoritative documents.
- Reviewing Title V revenues, expenditures, and agreements with approved local air pollution control programs (Local Air Programs).
- Conducting analysis of Title V Program management, oversight, and activities.
- Interviewing appropriate Department staff.

BACKGROUND

Title V of the Clean Air Act Amendments of 1990 established a federal operation permit program for the purpose of pollution prevention. In 2001, the Department received approval from the U.S. Environmental Protection Agency (EPA) to issue Title V permits to major sources of air pollution pursuant to the Clean Air Act Amendments. To fund this program and be self-sufficient as required by Section 403.0872(11)(b), F.S., the Department implemented the collection of an annual fee on the emissions from each major source of air pollution within the State.

Major sources of air pollution are required to obtain a Title V permit if they emit certain regulated air pollutants. While there are no fees for processing a Title V permit, major sources of air pollution are required to pay an annual operation license fee. The annual operation license fee amount is determined by multiplying the $30 license fee factor times the tons of each regulated air pollutant actually emitted. The funds collected from fees paid pursuant to Section 403.0872(11), F.S. are deposited into the Florida Air-Operation License Fee Account, within the Air Pollution Control Trust Fund (APCTF).

The Department's Title V Program is administered through the Division and the Department's six regulatory Districts. To aid in the administration of the Title V Program, the Department has entered into specific operating agreements with Local Air Programs to perform Title V Program Activities on their behalf. The Local Air Programs are reimbursed with Title V funds via grant agreements. During FY 2024-2025, Title V Program revenues and expenses were reported as follows:

FY 2024-2025 Title V Program Revenue		
Title V Program Revenue	**$**	**2,332,634.05**
FY 2024-2025 Title V Program Expenses		
Salaries & Fringe Benefits	$	1,863,995.70
Direct Expenses	$	672.40
Indirect Expenses	$	766,288.63
Local Air Program Agreements	$	773,951.39
Total Title V Program Expenses	**$**	**3,404,908.12**

RESULTS OF AUDIT

During the audit, we reviewed Title V Program revenues, expenses, and Local Air Program agreements and costs. A summary of our review is below.

<u>Expenses</u>

We reviewed financial and other supporting documentation to verify the Division's reported Title V Program costs. A breakdown of Title V Program costs is displayed in the table below.

FY 2024-2025 Title V Program Expenses		
Salaries & Wages	$	1,056,567.11
Fringe Benefits	$	807,428.59
Materials and Services	$	672.40
Indirect Expenses	$	766,288.63
Local Air Program Agreements		
Broward County	$	62,151.50
Hillsborough County	$	307,262.00
Miami-Dade County	$	218,028.64
Orange County	$	59,158.65
Palm Beach County	$	104,040.24
Pinellas County	$	23,310.36
Total Title V Program Expenses	**$**	**3,404,908.12**

<u>Salaries and Wages</u>

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 that received salary and wages during the scope of this audit, we reviewed the position descriptions to verify that duties for these staff included Title V Program activities.

Fringe Benefits

The Department's Indirect Cost Plan Memorandum for FY 2024-2025 establishes the fringe benefits rate for Full Time Employment (FTE) positions at 76.42%. We verified that the Division correctly calculated fringe benefits cost based on the fringe benefit rate and the cost of salaries and wages.

Materials and Services Expenses

The only direct expense recorded by the Division during FY 2024-2025 was for costs associated with materials and services. Purchase Order C3F3EC for the lease of a multifunction copier was partially paid for with Title V funds. Based on our review, Title V funds were used to pay half, or six of the twelve-monthly invoiced costs.

Indirect Expenses

In accordance with the Department's Indirect Cost Plan Memorandum for FY 2024-2025, the indirect expense rate for the Division was 41.11% for the fiscal year. We verified that the Division correctly calculated indirect expenses based on the indirect expense rate and the total amount for salaries and fringe benefits.

Local Air Program Agreements

The Division has entered into grant agreements with Local Air Programs for funding assistance for Title V Activities. During the scope of the audit, we reviewed the agreements with Broward, Hillsborough, Miami-Dade, Orange, Palm Beach, and Pinellas Counties. The grant work plans included in each agreement specify that the Local Air Programs will perform permitting and/or compliance activities which are consistent with the Title V Program activities. Additionally, Local Air Programs are required to submit status reports quarterly, inclusive of a Payment Request Summary Form and Title V Activity Report. We reviewed a sample of quarterly status reports and determined the Local Air Programs generally complied with the requirements of their respective agreements.

We also reviewed the amounts paid to each Local Air Program during FY 2024-2025 and noted a discrepancy between the payment amounts recorded by the Division and the amounts recorded in the Financial Information Network (FIN) for the Broward and Orange County agreements. This discrepancy appeared to be due to one of Broward County's payments being made under the Orange County agreement. This was corrected by the Division during the audit.

Revenue

Title V Program revenue is comprised of annual operation license fees, including late fee penalties, which are deposited into the Florida Air-Operations License Fee Account within the APCTF. For FY 2024-2025, the Division reported $2,332,634.05 in revenue. The Department's FIN records for object codes associated with Title V revenue support this amount.

The annual operation license fee amount is determined by multiplying the license fee factor times the tons of each regulated air pollutant actually emitted. Section 403.0872(11)(b), F.S., specifies that the annual operation license fees collected by the Division must be sufficient to cover all reasonable direct and indirect costs required to develop and administer the Title V Program. However, during FY 2024-2025, Title V Program costs exceeded revenues by $1,072,274.07, as shown in the table below:

FY 2024-2025 Title V Program Revenue and Costs	
Title V Program Revenues	$ 2,332,634.05
Title V Program Expenses	$ 3,404,908.12
Difference	($ 1,072,274.07)

Based on documentation reviewed, our review found that Title V Program revenue has steadily declined, and expenses have exceeded revenue for five of the six previous fiscal years as shown in the table below.

Title V Program Revenue and Expenses					
	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	FY 2023-2024
Expenses	$ 3,538,936	$ 3,893,153	$ 3,314,356	$ 3,262,081	$ 3,529,807
Revenues	$ 3,267,010	$ 3,090,659	$ 3,372,133	$ 3,047,337	$ 2,773,610
Difference	($ 271,926)	($ 802,493)	$ 57,777	($ 214,744)	($ 756,196)
Title V Reserve Account Balance	**$ 5,021,775**	**$ 4,219,282**	**$ 4,277,059**	**$ 4,062,314**	**$ 3,306,118**

Based on discussions with the Division, the Title V Program revenue has been declining because fewer pollutants are being emitted, and therefore, less money is collected in annual operation license fees. Additionally, the Division projects that expenses will continue to exceed revenue, and by FY 2026-2027, no funds will remain in the Florida Air-Operation License Fee Account.

Projected Title V Program Revenue and Expenses				
	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029
Projected Expenses	$ 3,437,308	$ 3,437,308	$ 3,437,308	$ 3,437,308
Projected Revenues	$ 2,216,002	$ 2,105,202	$ 1,999,942	$ 1,899,945
Difference	($ 1,221,306)	($ 1,332,106)	($ 1,437,366)	($ 1,537,363)
Projected Title V Reserve Account Balance	**$ 1,012,539**	**($ 319,566)**	**($ 1,759,932)**	**($ 3,294,295)**

<u>Annual Operation License Fee Factor</u>
The EPA established a presumptive minimum fee factor that States may, but are not required, to charge. For the period of September 1, 2025, through August 31, 2026, this presumptive minimum fee is $65.38 per ton. However, Chapter 62-213.205(1), Florida Administrative Code (F.A.C.), establishes the current fee factor of $30. In accordance with Section 403.0872(11)(a)1, F.S., the fee factor may be increased if the Secretary of the Department finds a revenue shortage will occur in the absence of a fee factor adjustment, but the fee factor may never exceed $35. Our review determined the last time the license fee factor increased was in 2008, when it increased from $25 to $30.

In 2025, the EPA conducted an evaluation of the Department's Title V Program, during which they determined that the Division's …*current title V fee structure is not adequate for the continued support and operation of its title V program in the long term*. They recommended that the Division close the significant gap between the EPA's presumptive minimum fee and the current license fee factor.[1] Similarly, a previous OIG audit report[2] of Title V Program administration, published in March 2021, noted that the Division would benefit …*from a review of* [Title V] *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*.

Statutory Changes

While the license fee factor has not increased from $30, recent statutory changes are anticipated to reduce Title V Program expenses. During our audit, House Bill 1417 was approved by the Governor and will take effect July 1, 2026. It contains the following changes that will impact the Title V Program:

- The payment due date for Title V permits will be adjusted to June 30 each year.
- Air pollution construction permit fees are authorized under Section 403.087(7)(a)5.a., F.S. Previously, costs to issue and administer these permits had been considered a Title V cost. However, under the new statutory changes, these costs will no longer be attributed to the Title V Program.
    - For FY 2024-2025, air pollution construction permit fee costs amounted to $194,982.46, which was about 5.7% of the total Title V Program expenses for the year.

CONCLUSION

During the audit, we reviewed Title V Program revenues, expenses, and Local Air Program agreements and costs. Based on our review, Title V Program revenues were used solely to support the direct and indirect cost of activities associated with the Title V Program. However, our review noted that Title V Program expenses continue to exceed revenue collected and revenue continues to decline. Our finding and recommendation is listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Title V Program Costs – The annual operation license fee factor has not increased sufficient to cover all reasonable direct and indirect costs required to administer the Title V Program as required by F.S.

The annual operation license fee amount is determined by multiplying the license fee factor times the tons of each regulated air pollutant actually emitted. Section 403.0872(11)(b), F.S., specifies that the annual operation license fees collected by the Division must be sufficient to cover all reasonable direct and indirect costs required to develop and administer the Title V Program. However, program expenses have exceeded

[1] This gap is currently $35.38.
[2] Audit of Title V Program Administration, Report A-2021DEP-012.

revenue for five of the previous six fiscal years. The Division projects that expenses will continue to exceed revenue, and by FY 2026-2027, no funds will remain in reserve.

The EPA established a presumptive minimum fee factor $65.38 per ton. Chapter 62-213.205(1), F.A.C., establishes Florida's current fee factor of $30. In accordance with Section 403.0872(11)(a)1, F.S., the fee factor may be increased if the Secretary of the Department finds a revenue shortage will occur in the absence of a fee factor adjustment, but the fee factor may never exceed $35. Our review determined the last time the license fee factor increased was in 2008, when it increased from $25 to $30.

In 2025, the EPA conducted an evaluation of the Department's Title V Program, during which they determined that the Division's *…current title V fee structure is not adequate for the continued support and operation of its title V program in the long term*. Similarly, a previous OIG audit report of Title V Program administration, published in March 2021, noted that the Division would benefit *…from a review of* [Title V] *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*.

Recommendation:
We recommend the Department review Title V Program costs and evaluate whether the annual operation license fee factor is sufficient to cover all reasonable direct and indirect costs required to develop and administer the Title V Program, and increase the license fee factor if necessary, in accordance with Section 403.0872(11)(b), F.S.

Management's Response:
See Management's response, attached.

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 audit was conducted pursuant to Section 20.055, F.S., and in accordance with *Government Auditing Standards*, as published by the United States Government Accountability Office, and *Principles and Standards for Offices of Inspectors General,* as published by the Association of Inspectors General. The audit was conducted by Shelby Bremigan and supervised by Susan Cureton.

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.

This report and other reports prepared by the OIG can be obtained through the Department's website at https://floridadep.gov/oig or by contacting:

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Candie M. Fuller,
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June 5, 2026

Candie M. Fuller
Office of the Inspector General
Florida Department of Environmental Protection

Re: Written Response to Florida Department of Environmental Protection, Office of Inspector General, Preliminary Report on the Audit of Title V Program Administration (OIG Report A-2526DEP-020)

Dear Ms. Fuller,

The Florida Department of Environmental Protection (Department), Division of Air Resource Management (DARM) acknowledges receipt of the Office of Inspector General's (OIG) Preliminary Report (A-2526DEP-020), dated May 11, 2026, which reflects OIG's findings in its audit of Title V Program Administration by DARM. DARM greatly appreciates your work and the work of your colleagues in conducting OIG's assessment of whether annual operation license fees are used solely to support direct and indirect costs of the Title V Program, in accordance with Section 403.0872(11)(c), Fla. Stat.

OIG provided a background summary which accurately reflects the statutory basis of Florida's Title V Program. OIG correctly observed that in 2001, the Department received approval from the U.S. Environmental Protection Agency (EPA) to issue Title V permits to major sources of air pollution pursuant to the Clean Air Act Amendments. To fund this program and be self-sufficient as required by Section 403.0872(11)(b), Fla. Stat., the Department implemented the collection of an annual fee on the emissions from each major source of air pollution within the State. DARM appreciates OIG's including in the Preliminary Report a description of EPA's current (FY 2025-26) presumptive minimum fee factor ($65.38 per ton), while noting that under Florida rule section 62-213.205(1), F.A.C., the current fee factor in the State of Florida is $30 per ton.

DARM has reviewed OIG's tabulation of the FY 2024-25 Title V Program Revenue and FY 2024-25 Title V Program Expenses and finds the data and descriptions of the expense items and revenue items to be accurate. OIG's representation of the method by which the Department determines the annual operation license fee amount ("by multiplying the license fee factor times the tons of each regulated air pollutant actually emitted") is correct. DARM acknowledges OIG's findings that although Section 403.0872(11)(b), F.S., specifies that the annual operation license fees collected by the Division must be sufficient to cover all reasonable direct and indirect costs required to develop and administer the Title V Program, but that during FY 2024-25, Title V Program costs exceeded revenues by more than $1 million. DARM also acknowledges, as reflected in the Revenue section of the Preliminary Report, that Title V Program revenue has been declining because fewer pollutants are being emitted, and that, at this time, Title V Program expenses are likely to continue to exceed revenue.

As reflected in the Conclusion section of the Preliminary Report, DARM is gratified to have OIG's confirmation that Title V Program revenues were used solely to support the direct and indirect cost of activities associated with the Title V Program. DARM also recognizes, however, that Title V Program expenses continue to exceed revenue. Due, however, to specific Title V Program cost savings measures discussed below, DARM does not anticipate that by FY 2026-2027, no funds will remain in the Florida Air-Operation License Fee Account. It is important also to observe that during FY 2025-26, Title V fee revenue did not decline relative to FY 2024-25, and DARM expects that program expenses will be lower relative to FY 2024-25.

As OIG observed under the Statutory Changes section of the Preliminary Report, revisions to several Florida Statutes, which will take effect on July 1, 2026, will contribute to a reduction in total Title V Program expenses in two specific ways:

- The payment due date for Title V permit fees will move from April 1 to June 30 each year. This date adjustment will enable Title V permittees and DARM staff to review Annual Operating Reports from Title V facilities and accurately determine the amount of emissions fees owed prior to the fee submittal deadline, which will reduce instances of underpayment or overpayment and associated DARM staff time spent on unproductive administrative tasks that must be billed to the Title V program. Based on air permitting staff billing data from recent years, DARM conservatively anticipates that this change will reduce Title V program expenses by approximately $100,000 each year.

- Through a revision to Section 403.0872, Fla. Stat., costs to issue and administer air construction (AC) permits for Title V facilities will no longer be considered direct and indirect costs of the major stationary source air operation permit program under Section 403.0873, Fla. Stat. Based on air permitting staff billing data from recent years, DARM conservatively anticipates that this change will reduce Title V program expenses by approximately $400,000 each year.

In addition to the Title V Program cost reductions anticipated by these two statutory changes, over the past year, DARM has implemented rule-based procedural changes under rule 62-213.410, F.A.C., that reduce substantially the frequency with which Title V sources must obtain air construction permits and subsequently revise their Title V air operation permits to effectuate minor changes at the facility allowable under Title V of the Clean Air Act (i.e., "502(b)(10)" changes and "off-permit" changes). This streamlined, notice-based procedure has already contributed to a discernable reduction in the total number of permitting actions (and associated staff time billable to the Title V Program). Based on air permitting staff billing data from recent years, DARM conservatively anticipates that this change will reduce Title V program expenses by between $100,000 and $200,000 each year.

With regard to OIG's ultimate Findings and Recommendations, DARM will continue to work with Department leadership to review Title V Program costs and evaluate whether the annual operation license fee factor is sufficient to cover all reasonable direct and indirect costs required to administer the Title V Program. DARM observes, however, that any increase in the license fee factor, in accordance with Section 403.0872(11)(b), F.S., would be at the discretion of the Florida Legislature.

DARM will be glad to supplement this written response with any additional information that the OIG may find helpful as it works towards finalizing this audit.

Thank you,

Hastings Read
Director, Division of Air Resource Management
Florida Department of Environmental Protection