STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2027-004
July 2026

FLORIDA PACE FUNDING AGENCY

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Auditor General

Board Members and Executive Director

During the period July 2024 through February 2025, the following individuals served as the Board of Directors of the Florida PACE Funding Agency:

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Barbara Revels, through July 15, 2024

Michael Moran served as Executive Director through December 31, 2024, and Wendi Leach began serving as Executive Director on January 1, 2025.

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The team leader was Yuling Liu, CPA, and the audit was supervised by Gina Bailey, CPA.

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FLORIDA PACE FUNDING AGENCY

SUMMARY

A Property Assessed Clean Energy (PACE) program, administered by a local governmental entity in Florida, enables property owners to make qualifying improvements to real property and finance the cost through annual non-ad valorem tax assessments. The Florida PACE Funding Agency (FPFA) was established as a PACE program administrator in June 2011 through an interlocal agreement between Flagler County and the City of Kissimmee.

This operational audit of the FPFA focused on selected FPFA processes, including those performed by third-party administrators (TPAs), and administrative activities. Our operational audit disclosed the following:

PACE Financing Agreements

Finding 1: Although required by State law, the FPFA had not amended its interlocal agreements (ILAs) or third-party administrator (TPA) agreements established before July 1, 2024. In addition, the FPFA did not include required statutory provisions in an ILA executed subsequent to July 1, 2024.

Finding 2: The FPFA had not adopted policies and procedures to ensure that the TPAs required their contractors to include statements in their Contractor Program Participation Agreements affirming that they would comply with applicable State laws and local government ordinances and regulations.

Finding 3: The FPFA had not established policies and procedures to verify whether the fees charged by county tax collectors for the collection of non-ad valorem assessments were limited to the actual costs incurred up to a maximum of 2 percent of the non-ad valorem assessments.

Finding 4: The FPFA did not ensure that the TPAs maintained all underwriting finding documentation with clear creation and approval dates. Additionally, contrary to FPFA procedures, underwriting findings were not completed before a notice to proceed (NTP) authorizing the contractor to begin qualifying improvements was issued.

Finding 5: The FPFA did not ensure that the TPAs provided homeowners with all disclosure information required by State law. In addition, the FPFA did not always ensure that the statutorily required financing disclosure information was provided to the property owners before an NTP was issued.

Finding 6: Contrary to State law, the FPFA did not ensure that its TPAs only offered PACE financing agreements in counties that explicitly authorized PACE program participation, and as a result, a TPA executed 148 financing agreements totaling $3.7 million in a county that had not authorized FPFA PACE program participation.

Administration and Management

Finding 7: The FPFA's controls over debit cards need improvement to ensure that debit card purchases are supported by sufficient documentation and serve a valid public purpose.

Finding 8: Controls over the FPFA's travel expenses need enhancement to ensure that such expenses comply with State law and FPFA policies.

Finding 9: Contrary to State law, the FPFA's employment agreements with the current and former Executive Directors provided severance pay in excess of the 20 weeks allowed by State law. In addition, in lieu of paying severance pay upon employment separation, the FPFA entered into a $100,767 consulting agreement with the former Executive Director, which, contrary to State law, did not define specific tasks or measurable performance standards. The FPFA paid the entire amount in advance, and the former Executive Director did not, of record, provide any services pursuant to the agreement.

BACKGROUND

Property Assessed Clean Energy (PACE) programs enable property owners to make qualifying improvements to real property and finance the cost through annual non-ad valorem tax assessments. Qualifying improvements are those that enhance energy conservation and efficiency improvements, such as energy-efficient HVAC systems, replacement of windows, efficient lighting, and wind resistance and storm resiliency improvements.

The Florida PACE Funding Agency, a PACE program administrator,[1] was established in June 2011 through an interlocal agreement between Flagler County and the City of Kissimmee, in accordance with State law.[2] The agreement creates and establishes the Florida PACE Funding Agency (FPFA) as a legally separate local government (independent special district) in the State of Florida. The FPFA's purpose, as a PACE program administrator, is to provide a consistent, scalable platform for financing eligible improvements to real properties through the PACE program. The FPFA's daily operations are overseen by an Executive Director, with governance and policy guidance provided by a five-member Board of Directors. The FPFA is funded by fees collected on PACE program financing arrangements. During our audit period, the FPFA employed 4 individuals, including an Executive Director, and recorded fee revenue of $3.8 million.

While the FPFA retains the authority to levy non-ad valorem assessments, which are repaid through property tax bills, and ensure compliance with applicable State law, third-party administrators (TPAs) are responsible for the day-to-day management of the PACE program. The FPFA contracted with four TPAs: two TPAs for the residential PACE program, FortiFi Financial, Inc. and Home Run Financing,[3] and two TPAs for the commercial PACE program, Counterpointe Energy Solutions LLC (CES) and Bayview PACE.[4] However, CES ceased performing assessments in 2021[5] and no commercial property financing agreements were issued during our audit period of July 2024 through February 2025.

TPA duties include facilitating financing for eligible property improvements, registering and overseeing contractors, guiding homeowners through the application and funding process, ensuring adherence to program guidelines, and coordinating the placement of assessments on tax bills. Additionally, TPAs

[1] Section 163.08(2), Florida Statutes.

[2] Section 163.081(1)(b), Florida Statutes.

[3] PFG Lending, LLC, is registered in Florida to do business as Home Run Financing.

[4] Silver Hill Funding, LLC, is registered in Florida to do business as Bayview PACE.

[5] CES served as the sole third-party administrator and financial service provider for the FPFA for an extended period. Until 2021, CES also acted as the program administrator, managing the FPFA's day-to-day operations. In 2021, the FPFA transitioned these responsibilities in-house by hiring its own staff. At that point, CES ceased performing assessments and no longer managed FPFA operational functions.

provide customer support, ensure that required disclosures are made to mortgage holders, and verify that improvements are completed before funds are released.

FINDINGS AND RECOMMENDATIONS

*In their response to the findings and recommendations, which is included in its entirety in the **MANAGEMENT'S RESPONSE** section of this report, FPFA management made several statements and assertions labeled as "Procedural Issues", "Fundamental Legal Issues", and "Factual Discrepancies" that are incorrect and necessitate clarification. While we address FPFA management's specific finding-related comments after Findings 2, 4, 5, 6, 7, and 8, we provide the following clarifying information related to other statements and assertions made by FPFA management. Specifically:*

- *FPFA management implies that the Auditor General audit team did not meet Government Auditing Standards (GAS) independence standards because we selected the FPFA as the first PACE entity to be audited pursuant to the audit requirements in Section 163.087(2), Florida Statutes, due to "ongoing controversy related to the tax collector's refusal to comply with the state law and court judgements regarding collection of FPFA's assessments." As a unit of the Florida Legislature, the Auditor General's Office is independent of the FPFA. GAS (Paragraphs 3.27-3.28) requires auditors to continuously assess potential threats to independence throughout the audit process and implement appropriate safeguards to mitigate any risks. During the audit, no threats to independence were identified. In the development of our work plan required by Section 11.45(7)(h), Florida Statutes, we consider the required frequency of, and perform a risk assessment for, each required audit. Section 163.087(2), Florida Statutes, requires the Auditor General to conduct an operational audit of each authorized PACE program administrator at least once every 3 years. The FPFA was simply the first such entity audited pursuant to this requirement.*
- *FPFA management asserts that the Auditor General included topics not specifically limited to the scope required pursuant to Section 163.087(2), Florida Statutes, and that we examined records outside the audit period contemplated at the outset. Section 11.45(3), Florida Statutes, provides that the Auditor General may, pursuant to her own authority, conduct audits or other engagements (including audits required pursuant to Section 163.087(2), Florida Statutes), as determined appropriate by the Auditor General of the accounts and records of any governmental entity created or established by law. The authority of the Auditor General to examine any records of any such entity, from any time period, if she finds such records necessary to a proper audit or examination is therefore unlimited.*
- *FPFA management claims that they were given insufficient time to respond to our preliminary and tentative audit findings and that we were unwilling to consider documentation relevant to the audit. Section 11.45(4)(d), Florida Statutes, establishes that the official whose office is subject to audit has 30 days to respond after receipt of the list of preliminary and tentative audit findings. We provided our preliminary and tentative audit findings to FPFA management on April 24, 2026. The FPFA's response was therefore due on the first business day after May 23, 2026. On May 18, 2026, 24 days after receipt of the findings, FPFA management notified us that they had records not previously provided to us for our consideration. Although we were not required to do so, we agreed to consider any additional records provided. On June 4, 2026, over 2 weeks later, the FPFA provided the additional records to us. As a result of our review of those records, we revised two preliminary and tentative audit findings and informed FPFA management of the amended finding language. Ultimately, FPFA management officially responded to the audit findings on June 29, 2026. Consequently, we provided ample time to FPFA management to respond to the findings, and contrary to their assertion, we clearly considered the late-presented*

documentation relevant to the audit. FPFA management were always welcome to contact the Auditor General's staff and counsel to resolve any procedural issues.

- *FPFA management states that the audit team was "unable to review the FPFA's expenditure processes in light of the applicable statutes instead of the statutes explicitly applicable only to state agencies." Our audit methodology and criteria were designed to test the FPFA as an independent special district and for compliance with the statutes specific to the PACE program. The Florida Statutes, Laws of Florida, and Florida Attorney General Opinions cited in this report are applicable to the FPFA as an independent special district.*

Overall, these clarifications demonstrate that FPFA management's characterizations of the audit process and scope are not supported by the documented facts or statutory requirements.

PACE Financing Agreements

Effective administration and management require the Florida PACE Funding Agency (FPFA) to ensure that applicants are eligible for PACE program financing and that financing term disclosures are provided to the applicant prior to executing the financing agreement. The FPFA's PACE financing arrangement process begins with a detailed underwriting review conducted by a third-party administrator (TPA), who evaluates the property owner's financial standing, property compliance, and project feasibility based upon criteria established in State law.[6] Once an applicant is deemed eligible, the FPFA must provide a written financing estimate and disclosure information, prior to the start of the project.[7] The disclosure information includes key financial terms, obligations, and potential risks associated with the agreement, and must be individually acknowledged in writing by the property owner. Together, the underwriting and disclosure processes are designed to protect consumers, promote informed decision-making, and ensure responsible use of PACE financing.

During the audit period of July 2024 through February 2025, the FPFA oversaw the PACE program within its jurisdiction and two contracted TPAs facilitated and managed the financing process for property owners. As shown in Table 1, during that period, the two TPAs, FortiFi Financial, Inc. (FortiFi) and Home Run Financing (Home Run), executed 1,849 residential financing agreements totaling approximately $52.7 million.[8]

Table 1
Financing Agreements Executed
7/1/2024 Through 2/28/2025

TPA	Number of Financing Agreements	Financing Agreement Amounts
FortiFi	617	$18,118,467
Home Run	1,232	34,543,122
Totals	**1,849**	**$52,661,589**

Source: FPFA records.

[6] Sections 163.08(7) and 163.084, Florida Statutes.

[7] Section 163.081(4)(a), Florida Statutes.

[8] No commercial financing agreements were executed during our audit period of July 2024 through February 2025.

Table 2 provides an overview of the FPFA's key PACE financing agreement process steps, beginning with the property owner's application submittal and continuing through underwriting, agreement execution, project completion, and the final financing agreement execution and recording, along with the outputs and records resulting from each step.

Table 2
FPFA PACE Financing Agreement Process
Timeline and Key Outputs and Records

Process Steps	Outputs and Records
Property owner submits financing agreement application to TPA.	Signed application.
TPA performs underwriting procedures to verify that property owner meets all underwriting criteria by reviewing publicly available records, owner-provided records, and credit reports.	Underwriting file, including TPA decision as to whether property owner qualifies for financing.
TPA prepares financing agreement and sends it to property owner for review.	Financing agreement reviewed by property owner.
TPA and property owner complete a recorded call to confirm owner's understanding of their rights and obligations.	Call recording and checklist of verified disclosures.
TPA requests that financing agreement be signed electronically by property owner.	Financing agreement signed by property owner.
TPA sends a notice regarding financing agreement to the mortgage holder and issues a Notice to Proceed (NTP) [a] to the contractor.	Mortgage notice confirmation and issued NTP.
Contractor completes work, property owner and contractor sign a completion certificate [b] and TPA inspects the work and conducts a settlement calci[c]	Completion certificate, inspection report, and settlement call record.
TPA disburses funds to contractor.	Disbursement record and payment confirmation.
FPFA countersigns financing agreement once the project is completed.	Fully executed financing agreement.
TPA presents notice of assessment to FPFA for signature. TPA records the signed notice with the applicable county clerk of court.[d]	FPFA-signed and recorded notice of assessment.

[a] The NTP is a formal written authorization that allows a contractor to begin specific work.

[b] Completion certificates are signed by both the property owner and the contractor to confirm that all PACE-financed improvements have been installed as specified and the project is fully completed. These certificates serve as official verification that the work meets the agreed-upon scope and standards, allowing the process to move forward.

[c] A settlement call is the final telephone conversation between the TPA and the property owner before the PACE project is closed. Its purpose is to confirm the owner's satisfaction with the completed work, address any remaining questions, and ensure readiness for final steps such as funding disbursement and assessment recording. This call is typically preceded by an inspection to verify that all improvements were installed correctly and meet program standards.

[d] The FPFA verifies that, within 10 days of the FPFA countersigning the financing agreement, the TPA electronically recorded the notice of assessment with the applicable county clerk of court.

Source: Florida PACE Funding Program Administrator Underwriting Details Flowchart and other FPFA records.

Finding 1: Interlocal and TPA Agreement Updates

State law[9] authorizes counties and municipalities to establish financing programs for qualifying improvements to both residential and commercial properties, subject to local government approval through ordinances or resolutions. Effective July 1, 2024, Chapter 2024-273, Laws of Florida, substantially amended Florida's PACE program by expanding the types of qualifying improvements, enhancing certain

[9] Section 163.081, Florida Statutes.

protections for consumers entering into PACE financing agreements, and enacting new contractor oversight and accountability provisions. For example, the law requires a county or municipality to establish or approve a process for registering qualifying improvement contractors; specifies certain conditions for a qualifying improvement contractor to participate in a PACE program; prohibits TPAs from registering as a qualifying improvement contractor; and requires the program administrator to monitor qualifying improvement contractors, enforce certain penalties for a finding of violation, and post certain information online. Pursuant to State law[10] any existing contract, agreement, authorization, or interlocal agreement (ILA) established before July 1, 2024, between a county or municipality and a PACE program administrator remains valid without requiring additional action. However, the program administrator must comply with the provisions of the law, and any contract, agreement, authorization, or interlocal agreement must be amended to align with updated legal requirements.

As of March 2025, the FPFA had entered into 69 ILAs with counties and municipalities across Florida, and 67 of the agreements were dated prior to July 1, 2024. As of March 2025, the PACE program administered by the FPFA provided countywide coverage in 13 counties and coverage in 56 specific areas or municipalities located in 12 additional counties[11] as detailed in ***EXHIBIT A*** to this report.

As part of our audit, we reviewed 20 of the 69 ILAs maintained by the FPFA. Eighteen of the 20 ILAs were dated prior to July 1, 2024, and the other 2 were dated July 9, 2024, and February 17, 2025, respectively. We found that only 1 of the 20 ILAs included the required provision mandating that the county or municipality either establish or approve a qualifying improvement contractor registration process for the PACE program. The other 19 ILAs[12] did not include, and had not been amended to include, the required contractor registration process.

In response to our inquiries, FPFA personnel indicated that they did not interpret the law to require them to sign new ILAs with counties and municipalities already participating in the PACE program prior to July 1, 2024. Further, they noted that when most counties or municipalities originally entered into their ILAs, they also adopted a corresponding resolution. Notwithstanding that State law allows existing agreements to remain in effect, the law specifically requires that ILAs in effect prior to July 1, 2024, be amended to comply with the provisions of Chapter 2024-273, Laws of Florida.

We also reviewed the three TPA agreements that were active as of March 2025: Home Run, executed on February 3, 2020; FortiFi, executed on November 15, 2022; and Silver Hill Funding, LLC, executed on December 17, 2021. None of these agreements had been updated to reflect the statutory changes that were effective July 1, 2024. For example, the agreements did not include language explicitly prohibiting TPAs from levying or administering non-ad valorem assessments, a responsibility that, by law,[13] is exclusively reserved for the program administrator.

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[10] Section 9, Chapter 2024-273, Laws of Florida, and Section 163.081, footnote 1, Florida Statutes (2024).

[11] In some counties, the FPFA previously operated under ILAs that have since been terminated. While no new financing agreements can be initiated in those counties, some agreements made prior to the ILA termination remain valid, and assessments continue to be collected.

[12] Of the 19 ILAs, 18 ILAs were dated from November 7, 2011, through March 26, 2019, and the other ILA was dated July 9, 2024.

[13] Sections 163.081(1)(e), 163.082(1)(e), and 163.084(3), Florida Statutes.

In response to our inquiries, FPFA personnel did not provide an explanation for why the TPA agreements had not been updated. Subsequently, in December 2025, the FPFA provided updated agreements for the three TPAs. However, the updates were limited to extending the duration of the service provider agreements and did not include amendments for the provisions required by Chapter 2024-273, Laws of Florida.

Notwithstanding that agreements entered into before July 1, 2024, may continue, ILAs and TPA agreements must be amended to be consistent with State law. Without the required amendments, the FPFA cannot demonstrate compliance with State law, and the enhanced consumer protections in Chapter 2024-273, Laws of Florida, may not be realized.

Recommendation: The FPFA should amend the ILAs and TPA agreements to comply with State law.

Finding 2: Contractor Statements of Compliance

State law[14] requires contractors to file with the PACE program administrator a written statement, in a form approved by the county or municipality in which the program administrator is authorized to make financing agreements, that the contractor will comply with applicable laws, rules, and qualifying improvement program policies and procedures, including those on advertising and marketing. This compliance statement should be provided to the contractor by the program administrator to verify the contractor's agreement to comply with local jurisdiction laws and regulations.

From the population of 1,615 qualifying improvement contractor agreements, we selected and reviewed 30 signed contractor agreements (15 from FortiFi and 15 from Home Run) with contract dates ranging from April 2023 through May 2025. Our review disclosed that none of the 30 signed agreements included compliance statements using forms approved by the relevant county or municipality confirming the contractor's agreement to comply with all applicable laws, regulations, and the policies and procedures of the qualifying improvement program.

In response to our inquiries, FPFA personnel indicated that the *Contractor Registration Process Guidelines* require any registering contractor to sign a written statement agreeing to comply with applicable laws and rules and qualifying improvement program policies and procedures. This statement is included in the *Contractor Program Participation Agreement*, which must be signed by the contractor prior to registration to participate in the program. However, these statements are not specific to the county or municipality in which the contractor will provide PACE qualifying improvements, or in a form approved by the county or municipality.

Failure of the FPFA to obtain signed statements that the contractor will comply with the laws and policies and procedures applicable to each individual county and municipality in which the contractor provides PACE qualifying improvements, increases the risk that the contractor will not comply with applicable local laws, policies, and procedures, and the FPFA and the contractor cannot demonstrate compliance with State law.

[14] Section 163.083(1)(c), Florida Statutes.

Recommendation: The FPFA should obtain signed compliance statements from each contractor for each local jurisdiction in which they engage in PACE qualifying improvement activities with the FPFA, as required by State law.

Follow-Up to Management's Response

In its response, the FPFA asserts that it lacks the authority to compel local governments to provide or approve compliance forms. Notwithstanding, State law requires contractors to file a written compliance statement in a form approved by the specific county or municipality in which the program administrator operates. As a program administrator, the FPFA has oversight responsibilities, including the responsibility to ensure that contractors file the statutorily required compliance statement and State law requires the statement be in a form approved by the county or municipality in which the program administrator is authorized to make financing agreements. Consequently, the finding and related recommendation stand as presented.

Finding 3: Tax Collector Fees

Pursuant to State law[15] the program administrator may impose non-ad valorem assessments for PACE projects to facilitate the repayment for financing qualifying improvements to residential and commercial properties. Accordingly, State law requires the FPFA to submit taxable property value assessments to county tax collector offices so that the PACE assessment is added to the homeowner's property tax bill. The county tax collectors collect the PACE assessments, concurrently with the property owner's property tax, to repay the PACE financing agreements. State law allows county tax collectors to recoup the actual PACE assessment collection costs, not to exceed 2 percent of the total amount collected, and these fees established by the counties are deducted from tax collector payments to the FPFA. Because the tax collector deducts collection costs from the amounts submitted to the FPFA, these costs are added to the PACE financing agreement costs and become part of the property owner's annual PACE assessments.

The Executive Director provided the tax collector fees for the 39 counties in which the PACE program operated during the period July 2024 through February 2025. As shown in ***EXHIBIT B*** to this report, the fee amounts ranged from a one-time $0.55 charge to a percentage of the agreement ranging from .25 percent to the maximum 2 percent allowable.

In response to our inquiries in April 2025, the FPFA Executive Director indicated that she is aware of the legal collection fee limit; however, policies and procedures had not been established to verify whether the fees charged by tax collectors represent the actual collection costs incurred. This gap exists in part because State law grants counties broad discretion to set their own fees, and State law does not require PACE program administrators to obtain documentation from county tax collectors to substantiate their underlying PACE assessment collection costs. Notwithstanding, nothing in State law prevents a program administrator from requesting such documentation and, absent policies and procedures to verify that the tax collector fees represent actual costs incurred, FPFA records do not demonstrate that the assessed fees represent actual collection costs incurred and property owners may be charged more than the actual costs of the program.

[15] Section 163.081(1)(e), Florida Statutes.

Recommendation: The FPFA should establish policies and procedures to ensure that each county tax collector only charges fees for actual costs incurred to collect PACE assessments.

Finding 4: Underwriting Findings

State law[16] requires program administrators to "make findings" based on a review of public records derived from a commercially accepted source and the property owner's statements, records, and credit reports. For example, the FPFA must confirm that resources exist to complete the project, property taxes and assessments have been paid on time for the past 3 years; and there are no outstanding involuntary liens, code violations, or notices of default. Pursuant to State law,[17] the FPFA delegated this process to the TPAs, who are responsible for conducting a comprehensive underwriting process to confirm eligibility of the property, the owner, and the proposed improvements.

Although, as of January 2026, the FPFA had not established written policies and procedures for TPAs to follow regarding the underwriting process, the FPFA had developed the Florida PACE Funding Program Administrator Underwriting Details Flowchart for TPA use. According to the flowchart, and as shown in Table 2, the underwriting process is to be completed prior to a TPA issuing the NTP authorizing contractors to begin work on the qualifying improvements.

Our discussions with FPFA personnel and personnel from the two TPAs (FortiFi and Home Run) that issued PACE financing agreements during the audit period, disclosed that financing agreements had been categorized into two groups. Specifically, due to the significant changes in State law[18] effective July 1, 2024, the agreements were categorized as either financing agreements with applications submitted before July 1, 2024, or financing agreements with applications submitted after July 1, 2024.

From the population of 1,849 financing agreements executed during the period July 2024 through February 2025 and totaling approximately $52.7 million,[19] we examined records supporting 60 financing agreements totaling approximately $1.64 million, as shown in Table 3, for compliance with underwriting requirements included in State law.

Table 3
PACE Program Financing Agreements Reviewed

	Number of Agreements with			Amount for Agreements with		
TPA	Applications Dated Before 7/1/2024	Applications Dated After 7/1/2024	Total Number of Applications	Applications Dated Before 7/1/2024	Applications Dated After 7/1/2024	Total Amount for All Reviewed Agreements
FortiFi	17	13	30	$645,772	$282,396	$ 928,168
Home Run	7	23	30	196,095	517,300	713,395
Totals	**24**	**36**	**60**	**$841,867**	**$799,696**	**$1,641,563**

Source: FPFA records.

[16] Section 163.081(3), Florida Statutes.
[17] Section 163.084, Florida Statutes.
[18] Chapter 2024-273, Laws of Florida.
[19] All 1,849 financing agreements were for residential properties.

As shown in Table 4, our examination of records from both TPAs disclosed 157 underwriting deficiencies, including 90 deficiencies for financing agreements with application dates before July 1, 2024, and 67 deficiencies for financing agreements with application dates after July 1, 2024.

Table 4
Underwriting Deficiencies for Financing Agreements
Executed July 2024 Through February 2025

	FortiFi		Home Run	
TPA Records Did Not Evidence, Prior to Issuance of the NTP, the TPA:	**Number of Exceptions**	**Financing Agreement Amounts**	**Number of Exceptions**	**Financing Agreement Amounts**
Verified that all property taxes and any other assessments, including non-ad valorem assessments, levied on the same bill as the property taxes were current and had not been delinquent for the preceding 3 years or the property owner's period of ownership, whichever was less. Section 163.081(3)(a)4., Florida Statutes.	-	-	6	$95,725
Verified that there were no outstanding fines or fees related to zoning or code enforcement violations issued by a county or municipality, unless the qualifying improvement will remedy the zoning or code violation. Section 163.081(3)(a)5., Florida Statutes.	21	$704,107	6	86,667
Verified that there were no involuntary liens including, but not limited to, construction liens on the residential property. Section 163.081(3)(a)6., Florida Statutes.	-	-	7	198,811
Verified that there were no bankruptcy proceedings within the last 5 years, unless the bankruptcy was discharged or dismissed more than 2 years before the financing application date. Section 163.081(3)(a)9., Florida Statutes.	-	-	1	28,512
Verified that the term of the financing agreement did not exceed the weighted average useful life of the qualifying improvements to which the greatest portion of funds disbursed under the assessment contract is attributable, not to exceed 20 years. Section 163.081(3)(a)11., Florida Statutes.	14	592,786	30	713,395
Verified that the total estimated annual payment amount for all financing agreements entered into on the residential property did not exceed 10 percent of the property owner's annual household income and that the income was confirmed using reasonable evidence and not solely by a property owner's statement. Section 163.081(3)(a)12., Florida Statutes.	17	645,772	1	31,161
Before executing the financing agreement, verified whether the property had existing financing agreements or unrecorded qualifying improvements. Section 163.081(3)(b), Florida Statutes.	-	-	30	713,395
For qualifying improvements estimated at $10,000 or more, advised property owners in writing that the best practice is to obtain estimates from more than one unaffiliated, registered contractor and informed them of advertising and solicitation requirements before executing the financing agreement. Section 163.081(3)(d), Florida Statutes.	17	645,772	7	196,095
Total Number of Deficiencies	**69** [a]		**88** [b]	

[a] The 69 FortiFi deficiencies consisted of 65 deficiencies for agreements with applications submitted before 7/1/2024, and 4 deficiencies for agreements with applications submitted on or after 7/1/2024.

[b] The 88 Home Run deficiencies consisted of 25 deficiencies for agreements with applications submitted before 7/1/2024, and 63 deficiencies for agreements with applications submitted on or after 7/1/2024.

Source: Auditor analysis of TPA records.

The underwriting deficiencies in Table 4 mostly pertained to actions that should have occurred and been documented before the TPA issued an NTP authorizing a contractor to begin work on the qualifying improvements. Specifically:

- TPA personnel stated that they verified, for the 60 financing agreements, that property taxes and assessments were current and had not been delinquent for the preceding 3 years or the property owner's period of ownership, whichever was less.[20] However, for 6 financing agreements totaling $95,725, the documents used by the TPA did not include dates to support a timely review of the preceding 3 years. Accordingly, TPA records did not always evidence that the verification occurred before the NTP was issued.

- State law[21] requires verification that properties have no outstanding zoning or code enforcement fines or fees. Properties with unresolved violations are not eligible for financing unless the qualifying improvement would remedy the zoning or code violation. Of the 60 financing agreements reviewed, 27 agreements totaling $790,774 either lacked documentation evidencing verification or documentation evidencing that the verification occurred before the NTP was issued. Specifically:
  - 17 agreements totaling $645,772 lacked documentation demonstrating that the TPAs verified the properties did not have unresolved zoning or code violations.
  - Documentation for 8 agreements totaling $122,683 showed verification dates that occurred after the NTP date.
  - Documentation for 2 agreements totaling $22,319 was not dated to evidence when the verification occurred.
- TPA personnel stated that they verified that the property for the 60 financing agreements had no involuntary liens.[22] However, documentation supporting this verification for 4 financing agreements totaling $64,348 was dated after the NTP was issued to the contractor. In addition, 3 financing agreements totaling $134,463 reflected involuntary liens without supporting documentation evidencing timely review and resolution.
- Although for 59 financing agreements, the TPAs verified that the property owner did not have bankruptcies in the past 5 years or that any bankruptcy was discharged or dismissed more than 2 years before applying for financing, the supporting documents for 1 financing agreement for $28,512 disclosed that applicant's bankruptcy filing was dismissed on February 13, 2023, less than 2 years before the January 22, 2025, application date and the financing approval date of February 13, 2025.[23]
- Although TPA personnel verified that the term of financing did not exceed the weighted average useful life of the qualifying improvements[24] for 31 financing agreements reviewed, the verifications were not completed until after the NTPs were issued. The delay in verification also affected the maximum term for 18 of the financing agreements totaling $754,242. Even though each of the 18 agreements was executed after July 1, 2024, when the maximum term was reduced to 20 years, each agreement was assigned a 30-year term. TPA personnel explained that they applied the 30-year limit to all applications submitted before July 1, 2024. However, State law requires verification before entering into a financing agreement and it is unclear why the TPAs could not perform the required verifications for property owners who had applied but had not yet entered into financing agreements as of July 1, 2024.
- Although TPA personnel verified that the total estimated annual payment amount for 59 financing agreements did not exceed 10 percent of the property owner's annual household income,[25] our review disclosed that the verification for 17 of the financing agreements totaling $645,772 was not documented until the FPFA signed the agreements after the project was

[20] Section 163.081(3)(a)4., Florida Statutes.

[21] Section 163.081(3)(a)5., Florida Statutes.

[22] Sections 163.081(3)(a)6., Florida Statutes.

[23] Section 163.081(3)(a)9., Florida Statutes.

[24] Section 163.081(3)(a)11., Florida Statutes. Chapter 2024-273, Laws of Florida, revised the maximum term to 20 years. Prior to July 1, 2024, the maximum term could not exceed 30 years.

[25] Section 163.081(3)(a)(12), Florida Statutes.

completed. In addition, 1 financing agreement executed on July 18, 2024, totaling $31,161 reflected an annual assessment of $3,703, which exceeded 10 percent of the property owner's annual income by approximately $600. Upon inquiry, the Executive Director indicated that the application for this agreement was submitted prior to July 1, 2024, before the income requirement was in effect.

- 30 agreements totaling $713,395 lacked TPA verification as to whether the property had existing or unrecorded qualifying improvements.[26] Failure to perform this verification can render the financing agreement void, requiring restitution, reversal of liens, and removal of any assessments.
- 24 agreements for individual qualifying improvements of $10,000 or more and totaling $841,867 lacked documentation evidencing that the property owners had been advised in writing of the best practice to obtain contractor estimates for qualifying improvements of at least $10,000, nor that they had been advised of the advertising and solicitation rules before signing the financing agreements.[27] In response to our inquiries, FortiFi personnel indicated that they posted a handbook on their Web site that advised property owners to interview more than one contractor and independently assess their qualifications, experience, expertise, and reputation. However, it is not apparent that a handbook posted to a Web site satisfies the requirements to advise property owners about obtaining contractor estimates and the advertising and solicitation rules. Home Run personnel indicated that the requirements were not yet in effect for agreements based on applications submitted before July 1, 2024.

As noted above, all 60 financing agreements selected for review were dated after the July 1, 2024, effective date of the statutory amendments[28] that enhance consumer protections and contractor oversight. However, for the 90 exceptions attributable to applications dated prior to July 1, 2024, personnel at both TPAs indicated that they did not apply the amended requirements to applications submitted before July 1, 2024, because doing so would constitute an "impermissible retroactive application of substantive law" and that under well-established Florida law, statutes are presumed to apply prospectively unless the Legislature clearly and explicitly states otherwise. However, Chapter 2024-273, Laws of Florida, clearly indicates that the new PACE program requirements were intended to be effective on July 1, 2024, and State law[29] clearly states that underwriting findings must be made "before entering into a financing agreement." Accordingly, the applicability of the requirements depends on the date of the financing agreement regardless of the date of the initial application.

In addition, TPA and FPFA personnel indicated that applying the new underwriting requirements to existing construction projects would not be practicable or legal because it would materially alter an existing contract. Although we acknowledge that practicality is a consideration, State law does not provide for practicality exceptions. Additionally, often significant time passes between the date that a property owner submits a financing agreement application and the date the TPA issues an NTP authorizing the contractor to proceed. For the 90 exceptions attributable to agreements with applications dated prior to July 1, 2024, the TPA data showed that an average of 18 days elapsed from the application date to the NTP date.[30] Consequently, it is not apparent why the TPAs did not have time to apply the new underwriting

[26] Section 163.081(3)(b), Florida Statutes.

[27] Section 163.081(3)(d), Florida Statutes.

[28] Chapter 2024-273, Laws of Florida.

[29] Section 163.081(3)(a), Florida Statutes.

[30] For 26 of the 90 exceptions, TPA data showed that the application was submitted and the NTP was issued on the same date, an occurrence that is unlikely. As a result, the actual average was most likely greater than 18 days.

requirements, which include significant property owner protections, prior to issuing the NTPs authorizing the contractors to begin work.

Further, FPFA and TPA personnel indicated that, although the FPFA's flowchart requires the underwriting findings to be completed prior to NTP issuance, State law only requires the program administrator to make the findings "before entering into a financing agreement."[31] FPFA personnel and personnel from both TPAs asserted that the financing agreement is not entered into until the FPFA signs the agreement after the qualifying improvements are fully complete. Notwithstanding, State law[32] requires that prior to the financing agreement being approved, the program administrator must conduct an oral, recorded telephone call with the property owner and confirm each finding.

Making underwriting findings only after the project is complete:

- Does not provide the opportunity for the property owner to receive confirmation of the findings before the construction commences and the property owner becomes obligated for the project financing costs.
- Is contrary to the intent of the law because it effectively negates important consumer protection measures for property owners.

Regarding the 67 exceptions for agreements with applications initiated on or after July 1, 2024, the TPAs indicated that verification of all supporting documentation was performed prior to the NTP date. Notwithstanding this assertion, the records provided to us by the TPAs and the FPFA did not demonstrate that the underwriting findings were completed prior to issuance of the NTP for any of the 67 exceptions.

Recommendation: To avoid negating important consumer protections, the FPFA should ensure that the TPAs make all underwriting determinations and well-inform property owners of their obligations and the findings prior to the issuance of the NTP authorizing the contractor to begin work on the qualifying improvements. Additionally, the FPFA should implement procedures to ensure that TPAs date and retain all underwriting finding records.

Follow-Up to Management's Response

In its response, the FPFA makes numerous assertions that require follow-up for clarification. First, the FPFA indicates that some exceptions were "not deficiencies because the new statute does not apply retroactively to assessments in process prior to the effective date of that statute." However, the effective date of Chapter 2024-273, Laws of Florida, is July 1, 2024, and it applies to all financing arrangements executed after that date with no provision for exceptions to applications initiated prior to that date.

In addition, the FPFA indicates that it "has provided written underwriting guidelines to each third-party administrator, as provided in the appendices to the contracts between FPFA and each program administrator." Although the TPA agreement schedules broadly state that TPAs should adhere to underwriting guidelines, the FPFA had not established specific policies and procedures for the TPAs to follow..

The FPFA further claims that "the audit team did not evaluate its sample for compliance with the statute" and that the statutory underwriting findings are not required to be completed until the agreement is

[31] Section 163.081(3)(a).

[32] Section 163.081(4)(b), Florida Statutes.

executed. However, insofar as the FPFA does not consider the agreement to be executed until after the qualifying improvement is complete, waiting until the qualifying improvement is complete to perform the underwriting disclosures would effectively nullify all the property owner protections enacted by Chapter 2024-273, Laws of Florida. Consequently, the only sensible interpretation of State law is that the underwriting disclosures be completed prior to the construction of the qualifying improvements, which is initiated by the NTP issuance.

The FPFA also claims that it provided:

- *Records to us showing no evidence of delinquent taxes. Although the 6 files provided by the FPFA showed the status of the most current year taxes, the FPFA did not provide records for the previous 3 years as required by State law. In addition, the 6 files provided did not include the date that the property records were reviewed for evidence of delinquent taxes. Consequently, FPFA records did not evidence that the review was performed prior to issuance of the NTP.*
- *Reports showing that there are no reported code enforcement or zoning liens. However, for 21 financing agreements, FortiFi did not provide the Total View report to evidence that there were no fines, fees, and code enforcement, and Home Run did not evidence that the review was completed prior to NTP issuance for 6 financing agreements.*
- *Evidence of no involuntary liens on the property "through a combination of the Title Report and the log demonstrating when the Title Report was accessed." However, the dates of the reports presented did not reflect that, for 7 of the 60 financing agreements tested, the search for involuntary liens was completed prior to issuance of the NTP.*
- *A resubmitted application for the single exception regarding verification of bankruptcy proceedings. The FPFA did not provide a resubmitted application during our field work, and in any case, the law requires a property owner bankruptcy be discharged or dismissed more than 2 years before applying for financing, and in the cited exception, the application date was within 2 years of the bankruptcy date.*

Further, the FPFA claims that the weighted average useful life of the improvement is necessarily the same as the financing agreement term and that "verification [of weighted average useful life of the improvement] is not a separate process whereby someone in an office researches the improvement and establishes a number, then compares it to the term of years—it's inherently part of the term-determination process." However, the term of the financing agreement and the estimated useful file of the improvement are not the same thing. This is evident, as State law provides that the term of the financing arrangement cannot exceed the estimated useful life of the improvement, which by definition requires an independent assessment of the estimated useful life of the improvement to ensure that the financing agreement term does not exceed the estimated useful life.

Lastly, the FPFA claims that the statutory provisions requiring the property owner's estimated annual finance agreement payment to not exceed 10 percent of household income and for the program administrator to advise property owners to obtain multiple estimates for projects exceeding $10,000, were not applicable to applications filed prior to July 1, 2024. However, as explained above, all financing agreements selected for review had finance agreements dated on or after July 1, 2024, the effective date of Chapter 2024-273, Laws of Florida, and therefore, all tested financing agreements were subject to those provisions.

Consequently, the finding and related recommendations stand as presented.

Finding 5: Financing Agreement Disclosures

Pursuant to State law,[33] a financing agreement may not be executed until the PACE program administrator provides the property owner with a written financing estimate and disclosure, including all required information. Specifically, State law explicitly requires the disclosure to include 14 items of information:

- The estimated total amount to be financed, including the total and itemized cost of the qualifying improvement, program fees, and capitalized interest.
- The estimated annual non-ad valorem assessment.
- The term of the financing agreement and the schedule for the non-ad valorem assessments.
- The interest charged and estimated annual percentage rate.
- A description of the qualifying improvement.
- The total estimated annual costs that will be required to be paid under the assessment contract, including program fees.
- The total estimated average monthly equivalent amount of funds that would need to be saved in order to pay the annual costs of the non-ad valorem assessment, including program fees.
- The estimated due date of the first payment that includes the non-ad valorem assessment.
- A disclosure that the financing agreement may be canceled within 3 business days after signing the financing agreement without any financial penalty for doing so.
- A disclosure that the property owner may repay any remaining amount owed, at any time, without penalty.
- A disclosure that if the property owner sells or refinances the residential property, the property owner may be required by a mortgage lender to pay off the full amount owed under each financing agreement under this section.
- A disclosure that the assessment will be collected along with the property owner's property taxes and will result in a lien on the property from the date the financing agreement is recorded.
- A disclosure that potential utility or insurance savings are not guaranteed and will not reduce the assessment amount.
- A disclosure that failure to pay the assessment may result in penalties; fees, including attorney fees; court costs; and the issuance of a tax certificate that could result in the property owner losing the property and a judgment against the property owner, and may affect the property owner's credit rating.

Each required disclosure information item must be individually acknowledged in writing by the property owner. In addition, State law[34] requires the program administrator to conduct an oral, recorded telephone call with the property owner prior to executing the financing agreement to confirm each disclosure.

As discussed in Finding 4, during the period July 2024 through February 2025, the FPFA entered into 1,849 PACE financing agreements totaling approximately $52.7 million and, because of the program changes by State law,[35] the TPAs categorized the financing agreements into two groups: those submitted before July 1, 2024, and those submitted on or after July 1, 2024. We examined records for 60 selected

[33] Section 163.081(4)(a), Florida Statutes.

[34] Section 163.081(4)(b), Florida Statutes.

[35] Chapter 2024-273, Laws of Florida.

financing agreements (30 each for FortiFi and Home Run) totaling approximately $1.64 million to determine whether the FPFA provided property owners with a written financing estimate and all required disclosure information prior to the property owner entering into the financing agreement. We also determined whether each disclosure item was acknowledged in writing by the property owner. We found that:

- Although the 60 financing agreements contained certain disclosure information, not all required disclosure information was included in the financing agreements, and the financing agreements were not dated until after the NTP was issued to the contractor. Consequently, the records do not demonstrate that the property owners were provided the required information necessary to fully understand the financing agreement risks and obligations before the contractor was authorized to commence work.
- While most of the information was provided to and acknowledged by the property owner, as shown in Table 5, certain information was not included in the financing agreement packet (as indicated by both TPAs) or in any other written acknowledgment made by the property owner.

Table 5
Items Not Individually Acknowledged in Writing by the Property Owner

Required Disclosure Information	Forti Fi Number of Deficiencies [a]	Home Run Number of Deficiencies [b]
The total estimated average monthly equivalent amounts of funds that would need to be saved in order to pay the annual costs of the assessment, including program fees. [c]	17	7
A disclosure that the financing agreement may be canceled within 3 business days after signing the financing agreement without any financial penalty for doing so.	-	7
A disclosure that potential utility or insurance savings are not guaranteed and will not reduce the assessment amount.	-	7
A disclosure that failure to pay the assessment may result in penalties; fees, including attorney fees; court costs; and the issuance of a tax certificate that could result in the property owner losing the property and a judgement against the property owner, and may affect the property owner's credit rating.	-	7

[a] All the FortiFi deficiencies were for agreements with applications submitted before July 1, 2024.

[b] All the Home Run deficiencies were for agreements with applications submitted before July 1, 2024.

[c] For the 30 agreements tested, although not provided in writing as required by State law, it was FortiFi's practice to provide this disclosure during the recorded phone calls with the property owner required by Section 163.081(4)(b), Florida Statutes.

Source: Auditor analysis of TPA Records.

According to Home Run personnel, the TPA did not interpret the law to require separate disclosures. Notwithstanding, State law requires a written financing estimate and disclosure to the property owner which includes 14 items of information and explicitly requires that each item "must be individually acknowledged in writing by the property owner." FortiFi personnel indicated that the missing disclosures were included in various other documents provided to the property owners. Our examination of FPFA records disclosed that, as of January 2026, the FPFA had not established written policies and procedures regarding the disclosure requirements in State law.

For the 60 selected financing agreements, we also examined TPA records to determine whether the TPA timely conducted an oral, recorded telephone call with the property owner to confirm each finding and disclosure. We found that, although the FPFA's flowchart indicates that the calls must be conducted, the scripts used by the TPAs for the telephone calls did not include all the disclosure information required by State law. Although FortiFi personnel asserted that their script adequately addressed the items in State law, the telephone scripts provided to us did not address all the requirements enumerated in State law.

FPFA and TPA personnel indicated that, although the FPFA's flowchart requires the disclosure information to be provided to the property owner prior to NTP issuance, State law only provides that a financing agreement may not be executed until the property owner is provided a written financing estimate and disclosure."[36] Both FPFA and TPA personnel asserted that the financing agreement is not executed until the FPFA signs the agreement, which not until after the qualifying improvement is fully complete. Notwithstanding, providing disclosure information only after a project is complete and the property owner is obligated for the project financing costs is contrary to the intent of the law because it effectively negates important consumer protection measures for property owners.

Recommendation: The FPFA should implement procedures to require that, before issuing an NTP to a contractor, the TPAs:

- **Disclose all required information to the property owner in writing.**
- **Obtain property owner acknowledgement of the disclosure information.**
- **Conduct an oral, recorded telephone call with the property owner confirming each disclosure.**

FPFA should also establish policies and procedures to ensure that the TPAs retain evidence of the property owner's acknowledgment and the information confirmed during the required telephone call.

<u>Follow-Up to Management's Response</u>

Despite FPFA assertions, FPFA records do not evidence that the certain required disclosures were provided to the property owner in writing prior to issuance of the NTP. We added footnote c to Table 5 at FortiFi's request as FortiFi asserts that, although certain disclosure information was not individually acknowledged in writing as required by State law, FortiFi personnel verbally provided the disclosures during recorded phone calls with the property owners.

In addition, the FPFA states that "the audit team admits that each of the deficiencies specifically identified in Finding 5 comes from assessments which are not subject to the Chapter 2024-273 changes." Our audit conclusions are only disclosed in our final report and we found that the financing agreement for each deficiency was dated after the July 1, 2024, effective date of Chapter 2024-273, Laws of Florida. As the law applies to all financing arrangements executed on or after July 1, 2024, with no provision for exceptions to applications initiated prior to that date, the finding and related recommendations stand as presented.

[36] Section 163.081(4)(a). Florida Statutes.

Finding 6: Residential PACE Program Authorization

Pursuant to State law,[37] a program administrator may offer its financing program only within counties or municipalities that have formally authorized participation through an ordinance or resolution. State law[38] permits a program administrator to contract with one or more third-party administrators to administer its financing program authorized by a county or municipality, on behalf of and at the discretion of the program administrator. As of January 2026, the FPFA had not established policies and procedures to ensure that TPAs did not enter into PACE financing arrangements in counties and municipalities that had not formally authorized PACE program participation.

From the population of 1,849 financing agreements executed during the period July 2024 through February 2025, totaling approximately $52.7 million, we examined records supporting 60 financing agreements totaling approximately $1.64 million. We found that, contrary to State law,[39] Home Run executed 6 financing agreements totaling $84,457 in August 2024 and September 2024 for properties located in Orange County, which had not authorized the FPFA to participate in the County by ordinance or resolution. According to FPFA personnel, the TPA discovered the error in mid-October 2024 and ceased entering into PACE financing arrangements in Orange County at that time. According to Home Run personnel, their application system incorrectly included Orange County in the list of counties authorized to participate in the FPFA's PACE program. Since the projects were already underway when Home Run personnel discovered and corrected the error, they believed it would be unfair to both the property owners and contractors to cancel the PACE financing agreements. We expanded our audit procedures and identified 142 additional financing agreements totaling approximately $3.7 million that Home Run executed in Orange County during the period July 2024 through January 2025. We noted that 9 of those financing agreements totaling approximately $286,000 were executed during the period November 2024 through January 2025, after Home Run purportedly ceased entering into agreements in Orange County.

Engaging in PACE program activities in a county or municipality that has not authorized participation is contrary to State law, may fail to provide consumer protections intended under State law and local jurisdictions, and exposes the FPFA and its TPAs to potential legal and reputational risks.

Recommendation: The FPFA should establish procedures to ensure that TPAs do not engage in PACE program activities in counties and municipalities without prior authorization.

<u>Follow-Up to Management's Response</u>

In the response to the finding, FPFA indicated that it "has policies in place to ensure that third party administrators do not operate in areas that have not approved FPFA's operation" and that our statement that the FPFA had not established policies and procedures was inaccurate. However, insofar as any such policies and procedures were not in writing, FPFA records do not demonstrate that policies and procedures were in place to ensure that TPAs do not operate in areas that have not approved FPFA's operation. Our finding and related recommendation stand as presented.

[37] Section 163.081(1)(a), Florida Statutes.
[38] Section 163.084(1)(a), Florida Statutes.
[39] Section 163.081(1)(a), Florida Statutes.

Effective administration and management policies and procedures are essential to establish sufficient internal controls to ensure FPFA officials and employees administer their assigned responsibilities in accordance with applicable statutory requirements and good business practices. Such policies and procedures should be designed to promote and monitor compliance with these requirements and demonstrate accountability for public resource use.

Finding 7: Debit Card Purchases

The Florida Attorney General has opined on numerous occasions[40] that documentation of an expenditure in sufficient detail to establish the authorized public purpose served, and how that particular expenditure serves to further the identified public purpose, should be present when the voucher is presented for payment of funds. The Attorney General has also opined that, unless such documentation is present, the request for payment should be denied.

In August 2019, the FPFA Board granted the former Executive Director[41] authority to "make expenditures" as approved in the budget and specified that "any personal expenditures would remain subject to third-party review"[42] to verify supporting documentation. Although not specifically authorized by the Board, the former Executive Director obtained a debit card from the FPFA's bank. To ensure the propriety of debit card purchases, it is imperative that the FPFA establish independent approval of all such purchases. In addition, because the Executive Director is the FPFA's chief executive officer, the Board should exercise oversight authority over the Executive Director's debit card purchases.

Our review of FPFA records disclosed that the FPFA had adopted policies[43] intended to ensure that all business-related costs are reasonable, necessary, and directly connected to legitimate FPFA purposes. Although the policies specifically reference credit card use, FPFA personnel interpret the policy requirements to also apply to debit card transactions. Allowable FPFA expenses include those for meetings, entertainment, technical seminars, gifts (with a $25 limit), and other incidental costs. The policies require:

- Prior approval for technical and training seminars expenses and proper reporting of approved expenses through standardized expense forms that include a description of the expense, its business purpose, date, place, and participants.
- Prior approval for any vehicle-related purchases over $100, such as gas or oil, and for any other business purchases over $25.
- Employees to submit receipts promptly, report lost or stolen cards immediately and reimburse the FPFA for any unauthorized charges.

[40] For example, Florida Attorney General Opinion Nos. 68-12, 75-07, 79-14, and 94-89.

[41] The former Executive Director was hired on May 21, 2019.

[42] Although requested, FPFA personnel did not provide clarification as to who would conduct the "third-party review."

[43] *FPFA Employee Handbook*, 4.2 Business Expenses Policy and 4.10 Use of Employer Credit Cards Policy. Both policies were originally adopted on September 23, 2022, and revised in July 2024 with no substantive changes. On June 28, 2024, the current Executive Director informed the Board that updates to the *FPFA Employee Handbook* were needed; however, the Board did not take any action of record.

During the period October 2022 through February 2025, FPFA records disclosed that the current and former Executive Directors made 966 debit card purchases totaling approximately $237,000. Our examination of 30 debit card purchases totaling approximately $24,000 noted that the FPFA did not maintain records to document and to acknowledge the purpose of debit card purchases or to evidence review of such purchases to ensure that they served a valid public purpose. For all 30 debit card purchases, the only records available for examination were receipts. None of the receipts contained evidence of Board approval, and the public purpose for 7 purchases was not evident based upon the receipts. Specifically:

- In December 2023 and December 2024, the former Executive Director purchased gifts, such as wine, for the Board members. The debit card charges for December 2023 and December 2024 amounted to $405 and $734, respectively, and individually exceeded $25. In response to our inquiry, the Executive Director explained that year-end gifts were a customary way for the FPFA to show appreciation to the Board members, who all serve without compensation.
- 3 purchases with charges totaling $1,700 for unspecified social media advertising were incurred in February 2024 (two payments of $600 each) and February 2025 (one $500 payment). In response to our inquiry, the Executive Director indicated that social media advertising promotes the FPFA to potential customers.
- Five gift cards were purchased in October 2023 at $50 each, plus a $5 purchase fee per card, for a total of $275. Ten additional gift cards were purchased in August 2023 in the same amounts plus a $2 shipping and handling fee, for a total of $552. In response to our inquiry, the Executive Director indicated that the gift cards were distributed to financing agreement customers in exchange and appreciation for video testimonials. Further, she indicated that the FPFA collaborates with customers to gather written and video testimonials for its Web site to promote the FPFA to prospective customers. However, the Executive Director stated that, because the individual previously responsible for managing customer acknowledgment receipts was no longer employed by the FPFA, records confirming distribution and customer receipt of the gift cards were not available for our inspection.

Although we requested, FPFA personnel were unable to provide records demonstrating a valid, public purpose for these purchases or evidence of review and approval of the purchases. As further discussed in Finding 8, we examined records for an additional 15 debit card charges related to travel expenses totaling $10,659 , and the records did not clearly document the public purposes served.

In response to our inquiries, the Executive Director indicated that there is no prior approval for payment, since a debit card transaction is automatically deducted from the checking account. In addition, in January 2026, the FPFA's Program Counsel indicated that the policy for use of the FPFA Credit Card only required submission of receipts for expenses incurred using an FPFA debit card.

Notwithstanding, FPFA policies require that all business-related costs be reasonable, necessary, and directly connected to legitimate FPFA purposes, and prior approval be obtained for any vehicle-related purchases over $100 and for any other business purchases over $25. Absent prior approval of debit card purchases exceeding these amounts and records documenting the business purpose for the debit card charges, there is an increased likelihood of misuse of public funds.

Recommendation: The FPFA should comply with its policies that require prior approval before incurring debit card charges over specified amounts or, alternatively, amend the policies to include periodic Board review of debit card purchases. In addition, the FPFA should enhance its

policies to require, for all debit card purchases, maintenance of records that clearly describe the goods and services purchased and the public purpose served.

Follow-Up to Management's Response

In response to our finding, the FPFA claims that the finding addresses matters outside the scope of an operational audit and outside the audit period. Section 11.45(3), Florida Statutes provides that the Auditor General may, pursuant to her own authority, conduct audits or other engagements (including audits required pursuant to Section 163.087(2), Florida Statutes), as determined appropriate by the Auditor General of the accounts and records of any governmental entity created or established by law. Nothing in State law limits the Auditor General's audit authority to specific topics or time periods.

The FPFA also indicates that the questioned debit card expenditures served public purposes. However, as indicated in the finding, the Attorney General has opined on numerous occasions that documentation of an expenditure in sufficient detail to establish the authorized public purpose served, and how that particular expenditure serves to further the identified public purpose, should be present when the voucher is presented for payment of funds. Although the FPFA asserts that the expenditures all served a valid public purpose, FPFA records were insufficient to demonstrate the specific public purposes served and how the individual expenditures served those public purposes. The FPFA further indicates that the use of the debit card itself is evidence of approval. However, given the significant volume of debit card transactions and the absence of independent review and approval, we continue to recommend that, at a minimum, the FPFA Board periodically review the Executive Director's debit card purchases.

Consequently, the finding and related recommendations stand as presented.

Finding 8: Travel Expenses

State law[44] requires travel reimbursement claims to contain a statement that the expenses were actually incurred by the traveler as necessary travel expenses in the performance of official duties and be verified by a written declaration that it is true and correct as to every material matter. In addition, State law[45] requires that the most economical method of travel be used and that all travel be authorized and approved and documentation include a signed statement stating that such travel is on official business and the purpose of such travel. Subsistence limits are established in State law;[46] however, a special district, such as the FPFA, may establish subsistence rates that vary from the statutory amounts by enactment of a resolution.[47] Further, State law[48] provides an exemption from sales tax to governmental entities when payments are made directly to the vendor by the governmental entity.

Effective policies and procedures for the administration of travel-related expenses promote compliance with travel guidelines and requirements and, among other things, require supervisory approval, documented justification for travel, travel by the most economical means possible, and maintenance of documentation supporting the travel expenses incurred. Such policies and procedures provide travelers,

[44] Section 112.061(10), Florida Statutes.

[45] Section 112.061(7)(a) and (3)(a), Florida Statutes.

[46] Section 112.061(6)(b), Florida Statutes, establishes subsistence limits of $6 for breakfast, $11 for lunch, and $19 for dinner.

[47] Section 112.061(14)(a)4., Florida Statutes.

[48] Section 212.08(6), Florida Statutes.

and those responsible for authorizing and approving travel and the related expenditures, a clear understanding of their responsibilities.

Our review of the FPFA's records disclosed that the FPFA had adopted a travel policy[49] with the intent to establish guidelines for reasonable and necessary travel expenses incurred by employees on approved business trips. While the FPFA policy had some positive features, such as defining allowable travel-related business expenses and requiring detailed reporting of approved expenses, including the description of the expense, its business purpose, date, location, and the participants, the policy did not:

- Limit subsistence to the amounts in State law or, alternatively, limit amounts to those in a referenced resolution allowing higher subsistence limits.
- Require use of the most economical mode of travel.
- Require submittal of a signed statement from the employee or supervisor affirming that the trip was for official business and detailing its purpose.
- Require cardholders to provide vendors with the FPFA's sales tax exemption certificate so that the vendor does not collect sales tax.
- As a matter of good business practice, require periodic Board review and approval of Executive Director travel expenses.

Absent an updated, adequately designed, and comprehensive travel policy, there is an increased risk of unauthorized or unnecessary travel expenses. The lack of a comprehensive FPFA travel policy may have contributed to the deficiencies discussed below.

During the period October 2022 through February 2025, the FPFA recorded 163 travel expenses totaling $36,444. Of this amount, $15,208 was paid using the FPFA debit card and $21,236 was reimbursed to either the former Executive Director or to his company.[50] Table 6 shows the travel expenses by category.

Table 6
FPFA Travel Expenses

October 2022 through February 2025

Category	Reimbursed Amount	FPFA Debit Card Amount
Airfare	$ 4,183	$ 357
Hotel	7,793	7,157
Meals	6,981	7,469
Rental Car	1,589	-
Miscellaneous Travel Expenses	690	225
Totals	**$21,236**	**$15,208**

Source: FPFA records.

[49] *FPFA Employee Handbook*, 4.9 Travel Expenses, adopted September 23, 2022.

[50] For FPFA-related travel, the former Executive Director frequently used a credit card issued to Southern Sky Energy (SSE), a company he solely owned. Because the credit card used was issued in SSE's name, the FPFA reimbursed SSE rather than the former Executive Director. During the period October 2022 through December 2024, the FPFA reimbursed $15,863 to SSE for FPFA travel charges made on the SSE credit card and $5,273 to the former Executive Director for charges made on his personal credit card.

We examined FPFA records supporting 20 selected travel expenses totaling $4,764 for travel expense reimbursements to the former Executive Director or the current Executive Director and 15 travel expenses totaling $10,659 paid using the FPFA's debit card. We found that:

- Contrary to State law, there were no statements that the expenses were actually incurred by the traveler as necessary travel expenses in the performance of official duties nor were there any written declarations that the travel reimbursement information was true and correct as to every material matter.
- Supporting documentation for the 20 travel reimbursement expenses included receipts and reimbursement forms; however, the business purpose was not provided on the forms.[51]
- The 15 expenses made with the FPFA's debit card were only supported by receipts.

In January 2026, the Executive Director provided the purposes of the trips, and the FPFA's Program Counsel stated that only the travel expense policy[52] required submission of expense reports and receipts for reimbursement. Therefore, expenses paid by debit card only required receipts. In addition, the FPFA's Program Counsel noted that FPFA policies do not require a statement verifying that the expenses were actually incurred by the traveler as necessary travel expenses in the performance of official duties. However, State law[53] requires such a statement as well as a written declaration that the information is true and correct. Further, the FPFA travel policies require a detailed reporting of approved expenses, including the description of the expense, its business purpose, date, location, and the participants irrespective of the payment method.

Our examination of the 35 travel expenses also found that:

- A Sarasota to New York airfare charge included a $309 seat upgrade which did not comply with the statutory requirement to use the most economical mode of transportation and was also contrary to the FPFA policy requiring economy or tourist class airfares when traveling on FPFA business. In response to our inquiries about the seat upgrade, the current Executive Director indicated that, aside from the receipt provided, no additional information was available because the former Executive Director, who incurred the expense, was no longer employed.
- 13 meal expenses totaling $4,829, including $374 for multiple meals in Las Vegas and a $622 dinner in Tallahassee for the former and current Executive Directors and two other individuals, all exceeded the State subsistence limits. As of February 2026, the Board had not used the authority granted under State law to pass a resolution allowing payment of higher subsistence rates.
- 10 hotel expenses totaling $7,006 and paid using the FPFA debit card included sales tax totaling $695. In response to our inquiries, the Executive Director stated that using the State sales tax exemption usually requires having a corporate account and a negotiated rate. The FPFA chooses to pay the tax rather than pay a higher room rate just to use the exemption. Notwithstanding this explanation, the FPFA is exempt from paying sales tax so public funds will not be used for taxes on essential goods and services and hotels set room rates independent of taxes which are added separately at checkout.

Recommendation: To comply with State law and strengthen accountability for all travel expenses, the FPFA should enhance its travel policies to require:

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[51] The reimbursement forms included a description of the expense such as meals, flight to event, and rental car, along with vendor names, expenditure accounting classifications, and amounts.

[52] *FPFA Employee Handbook*, 4.9 Travel Expenses, adopted September 23, 2022.

[53] Section 112.061(10), Florida Statutes.

- **Documentation (e.g., agendas, statement of benefits to the FPFA, itineraries, and attendee lists) demonstrating the public purpose of all travel.**
- **Use of the FPFA's sales tax exemption.**
- **A signed statement from the traveler affirming that the expenses were necessary for official duties and accurate in all material respects.**
- **Periodic Board review and approval of Executive Director travel expenses.**
- **Subsistence allowances be limited to amounts permitted under State law. Alternatively, the Board should adopt a resolution to authorize higher subsistence amounts.**

Furthermore, pursuant to the FPFA travel policy and State law, FPFA management should ensure that the most economical mode of transportation is used.

Follow-Up to Management's Response

In response to the finding, the FPFA asserts that the issues identified fall outside the scope of an operational audit and outside the audit period. As previously stated in our Follow-Up to Management's Response in Finding 7, nothing in State law limits the Auditor General's audit authority to specific topics or time periods.

The FPFA also claims that the finding improperly applied per diem rules to "entertainment expenses." Section 112.061, Florida Statutes, establishes subsistence limits for special districts, and does not provide exemptions for any subsistence classified as "entertainment."

The FPFA further asserts it paid sales tax because using the tax exemption required corporate accounts with higher hotel rates. However, this assertion is unsupported by any rate comparisons or documentation showing that public rates would not have been available when using the tax exemption. Consequently, the finding and related recommendation stand as written.

Finding 9: Executive Director Services Agreement and Contractual Severance Pay Provisions

State law[54] provides that service contracts over $35,000 must clearly define the contractor's responsibilities, divide the work into specific tasks, each requiring approval before payment, and set quality and performance standards to ensure that tasks meet required service levels and that bills for fees or other compensation for services or expenses be submitted in detail sufficient for a proper preaudit and postaudit thereof. State law also provides that any employment agreement, or renewal or renegotiation of an existing contract or employment agreement, that contains a provision for severance pay with an officer, agent, employee, or contractor must include a requirement that severance pay provided may not exceed an amount greater than 20 weeks of compensation.[55] In addition, the Florida Constitution prohibits governmental entities from extending credit for private benefit.[56]

[54] Section 287.058 (1), Florida Statutes.

[55] Section 215.425(4)(a)1., Florida Statutes.

[56] Section 10, Article VII, Florida Constitution provides that "neither the state nor any county, school district, municipality, special district, or agency of any of them, shall... give, lend or use its taxing power or credit to aid any corporation, association, partnership or person."

The FPFA's former Executive Director submitted his resignation on December 2, 2024. His original Employment Agreement, which was signed by the Board Chair and Board Secretary and dated February 15, 2023, provided 52 weeks of severance pay if the Executive Director was terminated without cause, far exceeding the 20-week limit set by State law. However, that Employment Agreement was terminated by mutual consent on January 1, 2025, when the FPFA and former Executive Director entered into an employment termination and transition services (ETTS) agreement. Section I of the ETTS agreement explicitly stated that "the Parties expressly agree that the Executive Director is not entitled to any severance benefits described in Section II(B)(1)(c) of the Employment Agreement."

According to the ETTS agreement, the transition services included fulfilling all duties of the Executive Director, as required by the original Employment Agreement, until a successor takes over,[57] and providing advice, information, and support, and assisting as requested by the successor or the Board of Directors. Additional consulting services, including government relations, were also to be provided as needed. However, contrary to State law,[58] the ETTS agreement lacked defined measurable deliverables, written performance evaluation criteria, and a mechanism to monitor service delivery.

The ETTS agreement indicated the FPFA and former Executive Director's agreement to terminate the Employment Agreement entered into February 15, 2023, and that he would be compensated $100,767 for transition services from January 1, 2025, through June 30, 2025. According to FPFA personnel, this arrangement benefited the FPFA by clearly defining his shift from employee to contractor status for payroll, liability, insurance, benefits, and tax purposes. On January 3, 2025, the former Executive Director submitted an invoice for $100,767 for "Transition Services Agreement" and the FPFA paid the entire invoice amount on January 13, 2025, over 5 months before the service period ended. Because payment for the full amount of the ETTS agreement was made before the agreement term ended, the payment potentially violated the constitutional prohibition against extending credit for private benefit.

In addition, although we requested, the FPFA did not provide any records to evidence that the former Executive Director provided any services pursuant to the ETTS agreement. Discussions with FPFA personnel in April 2025 revealed that the ETTS agreement compensation amount was equal to approximately 26 weeks of the former Executive Director's salary because his February 15, 2023, Employment Agreement provided for a severance payment if terminated without cause. Notwithstanding, the Employment Agreement was terminated by mutual consent, the ETTS agreement explicitly stated that the former Executive Director was not entitled to the severance benefits in the Employment Agreement, and advance payment for a contract without specific tasks and measurable performance standards is contrary to State law and the Florida Constitution.

In addition, contrary to State law, the current Executive Director's employment agreement (dated January 1, 2025) provides that she is entitled to 52 weeks of severance if terminated without cause. In response to our inquiry, the FPFA's Program Counsel indicated that employees of a special district whose salaries are funded entirely by nontax revenues and non-State-appropriated funds are not subject to the severance pay provisions in State law.[59] However, this reading of State law is incorrect, as the only

[57] The Operations Director began serving as Executive Director on January 1, 2025, the date the ETTS agreement was signed.
[58] Section 287.058 (1), Florida Statutes.
[59] Section 215.425, Florida Statutes.

exemption to the 20-week limit in State law[60] is for "severance pay that is paid wholly from nontax revenues and nonstate-appropriated funds, the payment and receipt of which does not otherwise violate part III of chapter 112, and which is paid to an officer, agent, employee, or contractor of a public hospital that is operated by a county or a special district." As the FPFA does not operate a public hospital, this exemption is not applicable to the FPFA. Additionally, the Attorney General has opined[61] that special districts are subject to the severance provisions in State law.

Recommendation: The FPFA Board should:

- **Amend the current Executive Director's employment agreement to cap severance pay at the 20 weeks permissible under State law, and refrain from entering into employment agreements that include severance pay exceeding 20 weeks.**
- **Ensure that, in accordance with State law, contracts exceeding $35,000 clearly define the contractor's responsibilities; divide the work into specific tasks, each requiring approval before payment; and set quality and performance standards to ensure that tasks meet required service levels. In addition, the contracts should specify that bills for fees or other compensation for services or expenses should be submitted in detail sufficient for a proper preaudit and postaudit thereof.**
- **Ensure that contractual payments are not made in advance of services being rendered.**

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. State law[62] requires us to conduct at least every 3 years an operational audit of Property Assessed Clean Energy (PACE) program administrators and third-party administrators.

We conducted this operational audit of the Florida PACE Financing Authority (FPFA), a PACE program administrator) from February 2025 through February 2026 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.

The objectives of the operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and

[60] Section 215.425(2)(a), Florida Statutes.

[61] Attorney General Opinion No. 2013-09.

[62] Section 163.087(2), Florida Statutes.

efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.

- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; instances of noncompliance with applicable governing laws, rules, or contracts; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the audit period July 2024 through February 2025, and selected FPFA actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable State laws, FPFA policies and procedures, and other guidelines, and interviewed FPFA personnel to obtain an understanding of applicable processes and administrative activities and the related requirements.
- Examined minutes of Board meetings held during the audit period, and the minutes of selected meetings held prior and subsequent to the audit period, to determine the propriety and sufficiency of actions taken related to the programs, activities, and functions included in the scope of this audit.
- Examined FPFA records to determine whether the FPFA publicly noticed the Board meetings held during the audit period and examined minutes of Board meetings to determine whether they were transcribed and accessible to members of the public upon request.
- Examined FPFA records and reviewed Board meeting minutes for the period July 2024 through February 2025 to determine whether any construction or electrical projects with estimated or actual

expenditures exceeding the thresholds specified in, Section 255.20, Florida Statutes, were performed using FPFA services, employees, and equipment.

- Inquired whether the FPFA had expenditures or entered any contracts under the authority granted by a state of emergency declared or renewed on or after July 1, 2021.
- Evaluated the adequacy of FPFA policies and procedures related to conflicts of interest. For FPFA officials, we also reviewed statements of financial interests, and FPFA records to identify any potential relationships that represented a conflict of interest with FPFA vendors, third party administrators, Board members, or employees.
- From the population of 72 interlocal agreements and third-party administrator (TPA) agreements in effect prior to July 1, 2024, examined 20 ILA and 3 TPA agreements (23 total agreements) to determine whether the FPFA had updated the agreements in accordance with Section 9, Chapter 2024-273, Laws of Florida.
- Determined whether the FPFA had contracted with a TPA that, within the last 3 years, had any prohibitive legal violations, pursuant to Section 163.084(2), Florida Statutes.
- Examined the contracts between the FPFA and its TPAs to determine whether the contracts adhered to applicable laws, including the inclusion of language for the levying of non-ad valorem assessments, pursuant to Section 163.081, Florida Statutes, and compliance reviews, pursuant to Section 163.084, Florida Statutes.
- Determined whether the FPFA had posted, within 45 days of the end of the 2023-24 and 2024-25 fiscal years, required information to its Web site, pursuant to Section 163.087, Florida Statutes.
- From the population of 1,615 qualifying improvement contractor agreements, examined documentation related to 30 selected qualifying improvement contractors to evaluate the effectiveness of the FPFA's oversight over contractor agreements, as required by Section 163.083, Florida Statutes.
- Determined whether the FPFA only compensated the tax collector for the actual cost of collecting non-ad valorem assessments up to a maximum of 2 percent, pursuant to Section163.081(1)(e), Florida Statutes.
- From the population of 1,849 financing agreements totaling approximately $52.7 million during the period July 1, 2024, through February 28, 2025, examined records for 60 selected financing agreements totaling approximately $1.64 million to determine whether findings and disclosures required pursuant to Section 163.081, Florida Statutes, were made prior to entering into financing agreements.
- From the population of 1,849 financing agreements totaling approximately $52.7 million during the period July 1, 2024, to February 28, 2025, reviewed records for 60 selected financing agreements totaling approximately $1.64 million to determine whether the FPFA had been authorized to execute financing agreements in the applicable counties and municipalities. We extended our review to determine the number of agreements executed in Orange County after July 1, 2024.
- Evaluated sufficiency of FPFA controls to ensure that subsequent to July 1, 2024, the FPFA only operated a PACE program in counties and municipalities that had adopted ordinances or resolutions authorizing PACE program operations within their jurisdictions.
- From the population of debit card transactions totaling approximately $237,000 during the period October 2022 through February 2025, examined documentation supporting 30 selected debit card transactions totaling approximately $24,000 to determine whether expenditures were reasonable, adequately supported, and properly authorized for FPFA purposes.
- From the population of FPFA employee travel expenses totaling $36,444 during the period October 2022 through February 2025, examined documentation supporting 35 selected travel expenditures

totaling $15,423 to determine whether the travel expenditures were authorized, reasonable, properly recorded, and adequately supported in compliance with Section 112.061, Florida Statutes, and FPFA policies.

- Scanned FPFA expenditures totaling $7.1 million from October 1, 2023, to February 28, 2025 (excluding debit card, employee compensation, and travel-related expenses). For selected expenditures totaling $2.4 million, we examined the underlying contracts and invoices to determine whether the expenditures served a documented public purpose.
- Examined the employment agreements for the current and former Executive Directors to determine whether the severance pay provisions complied with the limitations in Section 215.425, Florida Statutes.
- Reviewed the former Executive Director's termination and transition services agreement totaling $100,767 executed on January 1, 2025, to determine whether the contract provisions included clearly defined service tasks and performance standards required by Section 287.058(1), Florida Statutes, and the contract was paid in accordance with State law.
- Examined FPFA records and interviewed FPFA personnel to determine whether the FPFA had provided guidance to employees for identifying and communicating known or suspected fraud.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading ***MANAGEMENT'S RESPONSE***.

AUTHORITY

Section 163.087(2), Florida Statutes, requires that the Auditor General conduct an operational audit of each PACE program administrator at least once every 3 years. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

Sherrill F. Norman

Sherrill F. Norman, CPA
Auditor General

EXHIBIT A

FPFA PACE PROGRAM AVAILABILITY

AS OF MARCH 2025

❶ **Full County Coverage (13 Counties)**

Broward, Citrus, Flagler, Gadsden, Gulf, Holmes, Jackson, Jefferson, Marion, Monroe, Nassau, Sarasota, and Suwannee

❷ **Partial County Coverage (12 Counties with 56 Specific Areas or Municipalities)**

Escambia: Pensacola, Unincorporated Areas (commercial only)

Highlands: Avon Park, Unincorporated Areas (commercial only)

Hillsborough: Unincorporated Areas only

Levy: Bronson, Inglis, Williston, Unincorporated Areas

Manatee: Bradenton, Bradenton Beach, Longboat Key, Palmetto, Unincorporated Areas

Martin: Stuart, Sewalls Point, Unincorporated Areas

Miami-Dade: Aventura, Coral Gables, Cutler Bay, Doral, El Portal, Homestead, Hialeah, Key Biscayne, Medley, Miami, Miami Beach, Miami Gardens, Miami Springs, North Bay Village, North Miami, North Miami Beach, Pinecrest, West Miami, Surfside, Unincorporated Areas

Osceola: Kissimmee, Unincorporated Areas

Palm Beach: Boynton Beach, Delray Beach, Golf, West Palm Beach, Lake Worth, Mangonia Park, Palm Beach Shores, Riviera Beach

Pasco: Unincorporated Areas only

Seminole: Longwood, Oviedo, Sanford

Volusia: Daytona Beach Shores, Edgewater, New Smyrna Beach, Port Orange, Orange City

EXHIBIT B

COUNTY TAX COLLECTOR PACE ASSESSMENT COLLECTION FEES

AS OF MARCH 2025

	County	Tax Collector Fee	Notes
1	Alachua	2%	(a)
2	Brevard	2%	(a)
3	Broward	0.11%	(b)
4	Charlotte	$5 per parcel/assessment	(a) (d)
5	Citrus	2%	(b)
6	Clay	2%	(a)
7	Collier	2%	(a)
8	Columbia	2%	(a)
9	Escambia	2%	(c)
10	Flagler	2%	(b)
11	Gadsden	Unfixed	(b) (e)
12	Gulf	2%	(b)
13	Hernando	2%	(a)
14	Highlands	1% with a maximum of $500	(c)
15	Hillsborough	2%	(c)
16	Jackson	2%	(b)
17	Jefferson	0.25%	(b)
18	Lake	2%	(a)
19	Lee	2%	(a)

	County	Tax Collector Fee	Notes
20	Levy	2%	(c)
21	Manatee	1%	(c)
22	Marion	2%	(b)
23	Martin	2%	(c)
24	Miami-Dade	1%	(c) (f)
25	Monroe	2%	(b)
26	Nassau	2%	(b)
27	Okeechobee	2% with a maximum of $250	(a)
28	Orange	1%	(a)
29	Osceola	2%	(c)
30	Palm Beach	2%	(c)
31	Pasco	2%	(c)
32	Polk	2%	(a)
33	Sarasota	1.50%	(b)
34	Seminole	0.5%	(c)
35	Suwannee	2%	(b)
36	Volusia	$0.55 per assessment	(c) (g)
37	Walton	2%	(a)

[a] County was listed as "not an area of service" on the FPFA's Web site. However, the county had agreements in place prior to July 1, 2024, and tax collectors continue to collect assessments on agreements dated prior to July 1, 2024.

[b] County is listed as an area with full coverage on the FPFA's Web site.

[c] County is listed as an area with partial coverage on the FPFA's Web site.

[d] An assessment is assigned to each applicable parcel, which has a unique assigned number.

[e] As of July 2025, County has not decided the fee property owners will be charged.

[f] Charter county did not have a Tax Collector prior to January 2025. However, the County Property Appraiser charges a 1 percent fee.

[g] The assessment is applied to each PACE qualifying improvement with a separate line item on the property tax bill.

Source: FPFA records.

Florida PACE Funding Agency

The Honorable Sherrill F. Norman, CPA
Florida Auditor General
Office of the Florida Auditor General
Claude Pepper Building
111 W. Madison St., Suite G74
Tallahassee, FL 32399-1450

June 29, 2026

Re: Operational Audit Under Section 163.087(2), Florida Statutes, of the Florida PACE Funding Agency - Response to Preliminary & Tentative Findings

Dear Ms. Norman:

Please find enclosed a copy of the Florida PACE Funding Agency's conditional response to the revised Preliminary & Tentative Findings presented initially on April 23, 2026, and revised via email with tracked-changes screenshots but no list of findings on June 23, 2026.

The audit, which nominally covers the period from July 1, 2024 through February 28, 2025 (though it relies on a substantial number of items prior to this timeframe), reported nine findings. While the Florida PACE Funding Agency acknowledges the findings presented, it is apparent that several of those findings suffer from material flaws in methodology, representation of fact, and interpretation of law. Our hope is that your review of the preliminary and tentative findings, together with this conditional response, will result in a return to the collaborative spirit that we and your office have demonstrated throughout this lengthy audit process, that the errors presented can be resolved, and our response can be made more concise. The conditional response also relates a number of actions we have taken to address the recommendations made in the audit report, regardless of any disagreement as to the appropriateness of any given finding.

Section 11.45(4)(d), Florida Statutes, affords thirty days to respond to the list of preliminary and tentative findings. The final list was not presented to us until June 23, 2026, however, we were afforded only three days to submit a final response. Our counsel submitted the enclosed response, without this cover letter, within that foreshortened timeframe in an effort to meet the June 26, 2026 deadline. That response was intended to present the most serious issues associated with the preliminary and tentative findings, but it is inappropriate to consider it a final response without the benefit of either the complete list of findings or the full thirty-day period prescribed by statute to complete the response. Should the position of your office change with respect to the response timeframe, or if you have additional questions about the response, please reach out to either Wendi Leach, Executive Director, or James Dinkins, Program Counsel.

We sincerely appreciate the efforts you and your staff have put into this process, and look forward to both resolving the concerns outlined in the response and working with your office in the future.

Best regards,

Mike Steigerwald,
Chairman of the Board of Directors
Florida PACE Funding Agency

www.FloridaPace.gov
Florida PACE Funding Agency 4411 Bee Ridge Rd #134 Sarasota FL 34233

Response of the

Florida PACE Funding Agency

to the Auditor General's

Preliminary & Tentative Audit Findings

provided in draft form on April 24, 2026, and updated on June 23, 2026

Context

About the Florida PACE Funding Agency

The Florida PACE Funding Agency's Board of Directors is composed of Mike Steigerwald (Chair), Cheryl Grieb (Vice Chair), James Vergara (Secretary), and John Wiseman. Wendi Leach is the Executive Director, and Anthony Manganiello is FPFA's General Counsel. The Agency contracts with three financial service providers: FortiFi Financial and HomeRun Financing for residential assessments and Bayview PACE for commercial assessments. The Executive Director, the Board of Directors, and all counsel for the Agency are in no way employees of, affiliated with, or stand to gain or lose because of the actions of any third-party administrator.

Currently, FPFA operates in all or part of twenty-six counties within Florida, all pursuant to interlocal agreements with either a county or a city in those jurisdictions. The Agency's assessment rolls include assessments in sixty-four counties, based on authorization to operate in those expanded areas prior to July 1, 2024.

❖ *Creation of the Florida PACE Funding Agency*

The Florida PACE Funding Agency was created on June 22, 2011 by interlocal agreement between Flagler County and the City of Kissimmee. After several years of operation, those two entities amended that interlocal agreement effective February 20, 2017 to form FPFA with the governance structure as the entity exists today—that amended agreement is known as FPFA's Charter.

The FPFA is governed by a Board of Directors, appointed by the City of Kissimmee and Flagler County independently. That Board of Directors is responsible for managing the affairs of FPFA, adopting an annual budget, and providing general oversight and direction to FPFA staff with respect to executing FPFA's mission as established by its Charter.

The intention of the incorporators at the time of FPFA's creation (and the adoption of the current Charter) was to establish a single entity that could achieve efficiency in governance by operating statewide, as the law allowed, with the focused purpose to bring into effect the benefits of financing pursuant to Florida's PACE Act, codified then as section 163.08, Florida Statutes. While the statute has been amended and expanded, the core purpose remains the same, and FPFA has been successful in accomplishing that mission.

FPFA is an independent special district, meaning that its governing body is appointed by multiple other local governments with independent budgetary authority.[1] More particularly, FPFA is an interlocal entity created pursuant to section 163.01(7)(g), *Florida Statutes*, which entitles it to "finance facilities on behalf of any person, relating to a governmental function or purpose . . . which may serve populations within or outside of the members of the entity."

Bond Validation and Challenges

The FPFA's original bonds were issued pursuant to a validation proceeding in 2012, which confirmed the legality of FPFA's existence, the validity of the PACE mechanism to support repayment of debt issued to finance the qualifying improvements undertaken pursuant to statute, and the authority of the Agency to operate outside of the City of Kissimmee and Flagler County.

In 2022, subsequent to a change in the authority granted to FPFA by statute and the amendment to the Charter, FPFA underwent another bond validation procedure. The final judgment arising from that process clarified that FPFA's authority was not contingent upon approval or authorization by any local government beyond the Charter, that seawalls were qualifying improvements, and that collection of FPFA's assessments was a ministerial duty of the various county tax collectors regardless of whether those tax collectors were located in a jurisdiction that had approved FPFA's imposition of assessments therein. The judgment was not appealed, but just shy of one year subsequent to the entry of the judgment, a group of counties and tax collectors

[1] § 189.012, *Fla. Stat.*

sought relief from the judgment using a questionable rule of civil procedure. That relief was denied, and the unsuccessful counties and tax collectors appealed to the Florida Supreme Court, which upheld the court's decision to leave the final judgment intact. Nevertheless, many tax collectors have refused to perform the duty prescribed to them explicitly by statute and in the judgment to collect FFFA's assessments. This refusal has created significant operational challenges for FFFA.

Operational Audit Requirement

On June 30, 2024, the Office of the Governor announced that Governor DeSantis had signed Senate Bill 770, which became Chapter 2024-273, *Laws of Florida*, to take effect on July 1, 2024—the very next day.[2] In addition to expanding many requirements for FFFA and other local government entities (now called "Program Administrators"), the new law required the Auditor General to conduct an operational audit of each Program Administrator and any third-party administrators for compliance with the provisions of the PACE statutes, now expanded to sections 163.08 through 163.086, *Florida Statutes*, at least once every three years, with the first audit of each existing Program Administrator to be complete by September 1, 2028.

> The scope of this audit, by statute, is limited to "compliance with the provisions of ss. 163.08-163.086 and any adopted ordinance."[3]

Operational audits, according to the Auditor General, "evaluate management's performance in establishing and maintaining internal controls, including internal controls designed to prevent and detect fraud, waste, abuse, and noncompliance, and in administering assigned responsibilities in accordance with applicable laws, rules, contracts, grant agreements, and other guidelines."[4] In conducting an operational audit (a performance audit, using the terminology of the Government Accountability Office of the U.S. Government), an auditor "should obtain an understanding of the nature of the program or program component under audit and the potential use that will be made of the audit results or report as they plan a performance audit."[5] Upon doing so, an auditor should identify internal controls and evaluate the significance of such controls

[2] The signature occurred on June 28, 2024, but was not immediately announced.

[3] § 163.087(2), *Fla. Stat.*

[4] "Types of Engagements", https://flauditor.gov/pages/engagements.html

[5] 8.36 *Generally Accepted Government Auditing Standards* 2024.

to the audit objectives, and seek an understanding of those controls that are significant.[6] For significant internal controls, an auditor should perform an audit process to assess those controls and evaluate and document the significance of any identified internal control deficiencies.[7]

> To determine the significance of an identified deficiency, an auditor must evaluate:
>
> **Magnitude of impact** | the likely effect that the deficiency could have on the ability of the entity under audit to achieve its objectives
>
> **Likelihood of occurrence** | the likelihood that a particular deficiency will impact the ability of the entity under audit to achieve its objectives
>
> **Nature of the deficiency** | the degree of subjectivity involved in the deficiency and the degree to which fraud or misconduct created the deficiency
>
> Deficiencies should be considered both individually and in the aggregate.[8]

Then, the audit should proceed to evaluate the risk of noncompliance with applicable laws and rules, the risk of fraud, and any findings or recommendations.

In the context of a performance audit of a PACE Program Administrator, this involves obtaining an understanding of the PACE process, the environment of regulation within which a Program Administrator operates, the way in which a third-party administrator processes and the Program Administrator exercises oversight of each assessment, the general timeline at which key events in the process occur, and the range of outcomes and how those outcomes are identified within the process.

The Preliminary & Tentative Report to which this response is addressed is the first operational audit of a PACE Program Administrator that the Auditor General's office has undertaken. FPFA has been subjected to independent financial audits on an annual basis, but the Auditor General has never conducted an audit of any type with respect to FPFA. The Auditor General's staff acknowledged, at the outset of the audit process, that they had limited experience with PACE entities or the rules surrounding them, and

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[6] 8.39-8.40 *Generally Accepted Government Auditing Standards* 2024.

[7] 8.49, 8.54 *Generally Accepted Government Auditing Standards* 2024.

[8] 8.56 *Generally Accepted Government Auditing Standards* 2024.

requested both patience and advice from FFFA staff as they began the process. FFFA hopes and believes that its staff discharged this responsibility in a helpful, patient manner.

The Auditor General's staff also acknowledged that FFFA was selected as the first PACE entity to be audited because of the ongoing controversy related to the tax collectors' refusal to comply with the state law and court judgments regarding collection of FFFA's assessments. It is unclear whether the audit team engaged in the analysis found in section 3.27-3.28 of the *Yellow Book* with respect to identifying and evaluating threats to independent audit practices and analysis.

Procedural Issues

The process that resulted in the audit report to which this response is addressed began in February of 2025. The audit team, at the time, identified the audit period as from July 1, 2024 through February 28, 2025. The audit team estimated that the preliminary and tentative audit findings would be ready by August of 2025. The original preliminary and tentative findings were not provided until April of 2026, some eight months after the projected timeframe, and the preliminary findings are based, in significant part, on assessments from prior to July 1, 2024. Preliminary Findings 7 and 8 are based, in their entirety, on financial records from outside the audit period.

Based on the preliminary and tentative findings on which this response is based, it is clear that the audit team did not become familiar with FFFA's operations, or indeed the processing of an application for PACE financing from inception to recording. Subsequent to the transmittal of the findings, the audit team continued to express misunderstanding of the process by which an assessment is underwritten and provided its notice to proceed (a step that functions as an irrevocable offer to provide financing upon completion of the qualifying improvements).

This deficiency in adherence to section 8.36 of the *Yellow Book* resulted in a number of findings that are based on inaccurate evidence, and a failure to engage in the significance analysis required to evaluate or report such findings.

Similarly, Findings 7, 8, and 9 are outside the scope of the audit not just because of timing (as Findings 7 and 8 are), but because they do not fall within the scope of this operational audit as prescribed by statute: they are not related to "compliance with ss.

163.081-163.086 and any adopted ordinance."[9] While the Auditor General has authority generally to engage in financial audits—authority that was cited when counsel for FPFA questioned the relevance of a number of documentation requests for the information that led to these findings—the audit that is required to satisfy section 163.087(2), *Florida Statutes*, does not include them within its scope.

This very response, too, is substantially limited by the audit team's failure to follow statutory guidelines for the audit. FPFA was never provided with the list, in full, of the audit findings to which this response was addressed. Instead, a list of audit findings was provided to FPFA with a request to identify any factual discrepancies or inaccuracies and to bring those to the attention of the audit team for correction, or if there were none, to provide a response within thirty days. Once FPFA identified factual inaccuracies with a number of the findings, the audit team declined to have a telephone conversation to discuss those inaccuracies, initially denied that there were inaccuracies, and only after proof was provided (consisting of both documentation that had already been provided to the audit team and additional documentation disproving the stated deficiencies that had never been requested by the audit team) did the audit team acknowledge that some of the findings would need to chance. Then, the audit team provided <u>only three days</u>—not the statutory thirty days—for FPFA to submit a final response to the new list of findings. This timeframe was expanded from two days when counsel for FPFA requested the full thirty days to respond, with the comment "They had 30 days and only have to provide a few tweaks, so we may give them an extra day, but no more than that" from the Audit Manager.[10] The new list of findings never arrived —instead, the audit team sent a series of screenshots with changes tracked to the list of findings along with the message that the three-day clock started immediately, and that a response was required by close of business, rather than midnight, on the third day.

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[9] § 163.087(2), *Fla. Stat.*

[10] While FPFA was able to partially address some of the findings, without an indication of which findings would be altered or removed prior to the start of the response timeframe, and with the responsibility to identify and gather the documents necessary to contest the inaccuracies in the initial set of findings falling to FPFA during the time that the response should have been being written, the completion of the response has resulted in far more than "a few tweaks." The principal drafter of this response has engaged in over thirty-five hours of effort on the response within the three-day period since receiving the updated findings, and this response should nevertheless be considered incomplete as certain factual matters could not be fully researched in the small window of time provided.

FFFA has not, as of the time of this response, received an updated list of findings to which this response is directed. Given the changes represented in the screenshots, the summary text of at least Finding 4 is no longer accurate.

While the legal interpretations related to the statutes against which compliance was tested during the audit is addressed more fully below, FFFA would note in this section that of multiple requests to discuss the interpretation of the statutes with the audit team's internal counsel, only one was granted. This, combined with the incorrect interpretations employed during the audit testing, resulted in far more discrepancies (what the findings refer to as "deficiencies") than actually exist.

Fundamental Legal Issues

The Florida PACE Funding Agency, at all points during the audit process, made available to the audit team the advice of its program counsel, James C. Dinkins, who is arguably the most experienced attorney with respect to PACE in Florida, with some fifteen years of experience in the specific field and with more PACE-related court cases handled at both the trial and appellate level than any other attorney in the state. The audit team used this resource on occasion, but did not request interpretations from Dinkins on a number of issues before issuing its preliminary and tentative findings based on incorrect (and often illogical) legal interpretations.

FFFA also provided the audit team with multiple documents, including the decision of the Florida Supreme Court in favor of FFFA with respect to the tax collectors' and counties' appeal and an independent memorandum of law regarding the retroactive application of the July 1, 2024 changes to the PACE statute.

Nevertheless, several key components of the findings are based on a series of misinterpretations of the statute the audit team was assigned to test.

Retroactive Application of Senate Bill 770

As discussed above, Senate Bill 770 (signed into law as Chapter 2024-273, *Laws of Florida*) was signed three days before its effective date and announced just one day prior —leading to a fast-paced effort to create significant system updates functionally overnight. This led to one small oversight (discussed below) with respect to jurisdiction, but was generally executed well by FFFA and its third-party administrators.

These changes to state law, however, do not apply retroactively. The general rule in Florida is that a statute that is substantive in nature will not operate retroactively, while a statute that is remedial in nature will do so.[11] A statute cannot be applied retroactively if it "impairs vested rights, creates new obligations, or imposes new penalties."[12] While Chapter 2024-273 does not (generally) impose penalties, it does create new obligations and, if applied retroactively, would impair vested rights.[13] It can only be applied, therefore, to applications that began on or after July 1, 2024.

Nevertheless, the findings to which this response is directed are based on a sample that is composed of assessments based on applications submitted both before and after July 1, 2024: twenty-four projects, or 40% of the sample, were based on applications prior to July 1, 2024, and are therefore outside of the audit period (and not subject to the statutory audit <u>at all</u>) and are not subject to the requirements of Chapter 2024-273.[14] While the findings provided to FPFA do not indicate which assessments the audit team found deficient on which aspects of the new statute, it is apparent that <u>all</u> of the assessments sampled were tested against the new statute—this is a retroactive application of the new statute and is improper.

The findings provided to FPFA contain a brief discussion of the retroactivity issue: the audit team concludes, without citation to authority, that because the effective date of Chapter 2024-273 was July 1, 2024, and because underwriting findings must be made prior to entering into a finance agreement, the new substantive statute applies to assessments that were in progress at the time the statute took effect. This conclusion is illogical.

First, all statutes have an effective date: even if a bill that passes both chambers of the Legislature and is signed by the Governor lacks a specified effective date, it takes effect

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[11] *See State Farm Mutual. Auto. Ins. Co. v. Laforet*, 658 So. 2d 55, 61 (Fla. 1995).

[12] *Ibid.*

[13] Generally speaking, the Agency (through its third-party administrators) issues a Notice to Proceed after completing the underwriting steps necessary to ensure that a project and property qualify for a PACE assessment. This Notice to Proceed is irrevocable by the Agency unless some fraud or misconduct is discovered in making the determinations that the project and property qualify. Thus, this right is vested once the Notice to Proceed is issued.

[14] Nevertheless, for the vast majority of those items tested, these assessments still complied with what would become the new law.

on the sixtieth day after adjournment *sine die* of the session of the Legislature enacting the law.[15] The existence of an effective date does not indicate that a law is to apply to things already underway. Second, the specification of a time in which a thing is to happen—such as the specification that a determination is to be made prior to entering into a financing agreement—does not indicate in any way to which financing agreements the law applies. It is without doubt that Chapter 2024-273 does not apply to financing agreements between, say, a person and their credit card provider, just as it is without doubt that the law does apply to financing agreements described in section 163.081(2): those for which an application is made pursuant to section 163.081(2). The conflation of these financing agreements—which are subject to the additional requirements of Chapter 2024-273—with those made under the old version of section 163.08, which had no such requirements, is logically fallacious and an improper attempt to apply Chapter 2024-273 retroactively to projects for which financing agreements were submitted prior to its effective date.

This issue has been presented to the audit team, and they have been told clearly and plainly that their interpretation of the statute to apply retroactively (in the way they have indicated in the findings) is unlawful. They have, presumably with the opportunity to consult with counsel, simply refused to acknowledge that Florida law does not permit their interpretation. The failure to understand the law renders the greater portion of findings 1 through 6 meaningless.

Timing of Compliance Requirements

Throughout the findings—but particularly in Findings 4 and 5—the audit team finds deficiencies where, according to their conclusions, a finding was documented but not documented as being made prior to the issuance of a Notice to Proceed. Initially, it is important to note that for no assessments whatsoever for which the application date was on or after July 1, 2024, do the findings indicate a lack of documentation or even non-compliance with statute with respect to the underwriting requirements. Rather, they indicate a deficiency in having documentation that lacks a date prior to the Notice to Proceed.[16] The Notice to Proceed is not a document or procedure required by statute

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[15] Art. III, § 9, Fla. Const.

[16] As will be discussed later, the date-stamped documentation does exist and was either presented to the audit team but overlooked or was not asked for and therefore not provided previously.

—it is a process the Agency employs as part of implementing the statute. The relevant statutory date is the date of entering into a Financing Agreement.[17]

While FPFA lauds the audit team for understanding that the purpose of certain consumer protection requirements of statute are better served if they are satisfied before a largely irrevocable commitment to provide funding is issued, a well-meaning attempt to fulfill the purpose of a statute cannot override the plain language of that statute—the requirements must be fulfilled prior to entering into a financing agreement, not prior to committing to fund a project. The second sentences of each Finding 4 and Finding 5 are inapposite—they find a "deficiency" where, in the discussion itself, they find FPFA complied with the statutory requirements. The audit team's preference of date cannot be made mandatory where the statute specifies otherwise.

Documentation of Compliance Requirements

To comply with statutory requirements, FPFA must make certain "findings based on a review of published records derived from a commercially accepted source and the property owner's statements, records, and credit reports."[18] Those findings "must be documented, including supporting evidence relied upon" and retained.[19] For each of the required components for each of the assessments reviewed by the audit team within the audit period (that is, excluding those in process prior to July 1, 2024), each required finding was documented.[20] It appears, based on the findings, that the audit team was dissatisfied with documentation of several items. The statute does not require a specific form of proof for any individual requirement; rather, it requires a finding to be made based on "published records derived from a commercially accepted source" as combined with property-owner statements and records. For each assessment, FPFA submitted records from a commercially accepted source demonstrating compliance. The audit team, however, substituted its judgment for that of FPFA in determining that

[17] The statute uses the term "entering into a financing agreement" with respect to underwriting requirements, and the term "a financing agreement may [] be executed" with respect to disclosure and recording requirements. A financing agreement is neither entered into nor executed prior to both parties' signature appearing on the documents.

[18] § 163.081(3)(a), *Fla. Stat.*

[19] *Ibid.*

[20] FPFA notes the incorrect application of Chapter 2024-273 to in-process applications, and a single factual error with respect to a bankruptcy that remains uncorrected in the marked-up screenshots FPFA was provided.

some commercially accepted sources were compliant, and others were not, without providing any reasoning for this conclusion. Without some discussion indicating why the source chosen was not commercially reasonable (or some other assertion as to why it was insufficient), FFFA not only has no way to respond to the assertion, but cannot improve its procedures if there is a better method available.

FFFA wishes to specifically address some gratuitous language in Finding 4 which is legally inaccurate, incendiary, and risks exposing FFFA to significant unwarranted litigation. Finding 4 concludes "30 agreements . . . lacked TPA verification as to whether the property had existing or unrecorded qualifying improvements. Failure to perform this verification can render the financing agreement void, requiring restitution, reversal of liens, and removal of assessments." This statement is very clearly legal advice not written by a member of the Florida Bar.

First, failure to perform a single step of this nature prior to imposing a FACE assessment would never render an assessment voidable, much less void—a void assessment is one done through fraud or other wrongdoing by the assessing local government. The audit team makes no assertion of wrongdoing of this nature, and if it had, there is no evidence to support such an assertion. The inclusion of a statement that simple omission, in the view of the auditors, of a procedural step could render an assessment void far oversteps the bounds of the audit and risks severe harm to FFFA.

Moreover, if such an omission occurred, it would not even render the assessment voidable—a voidable assessment is one made that is so irregular or unfair that it would be a miscarriage of justice to require it to be repaid. This would occur in situations of mistaken identity or fraud of a third party, for example, but not where the property owner affirmatively represented that their property met a qualification, FFFA omitted to confirm, and the result was an assessment where the property owner's property benefitted from their misrepresentation. This situation would never require restitution (as if such an omission were a criminal act) and would not even require a release of the assessment. This statement must be corrected in the final report.

Interlocal and Third-Party Administrator Agreement Updates

The Florida FACE Funding Agency has entered into interlocal agreements authorizing FACE activity within the boundaries of various counties and cities statewide. These agreements contain no provisions that would conflict with or operate to hinder FFFA's compliance with Chapter 2024-273. Section 10 of that session law reads:

> A current contract, agreement, authorization, or interlocal agreement between a county or municipality and a program administrator entered

into before July 1, 2024, shall continue without additional action by the county or municipality. However, the program administrator must comply with this act, and any contract, agreement, authorization, or interlocal agreement must be amended to comply with this act.

The two sentences must be read *in pari materia*—they do not stand alone. The interpretation used in Finding 2 to determine that an interlocal agreement must be updated would render the first sentence meaningless. While the second sentence indicates that an interlocal agreement must be amended to comply with the new statute, it cannot mean that all such interlocal agreements related to PACE authorization must be amended, as that would render the first half of the section without meaning. The audit team's interpretation—that "the law specifically requires that ILAs in effect prior to July 1, 2023, be amended to comply with the provisions of Chapter 2024-273"—cannot be correct without nullifying the language of the Legislature. Instead, the only reasonable interpretation is that such interlocal agreements must be amended if they result in conflict or non-compliance with the new statutory requirements.

While Finding 2 indicates that the FFPA interlocal agreements predating July 1, 2024 lack contractor registration language, the finding implies that the contractor registration component must be included in an interlocal agreement, and therefore that all of the agreements predating the new statute are out of compliance. This is not accurate: the new statute requires only that a county or municipality "establish a process, or approve a process established by a program administrator," for registering contractors. There is no requirement that such process be included in an interlocal agreement—it is an invention, whole cloth, of the audit team. As written, the agreements already comply with state law.

Similarly, Finding 1 discusses the failure to update third-party administrator agreements with FFPA's third-party administrators. While the finding takes exception to the lack of update,[21] it fails to cite any authority for requiring an update at all: because there is none; no update to these agreements is or was required by the new statute. It is entirely possible, and in most cases both normal and best practice, to comply with applicable statutes without including each specific statement from the statute in the contract itself. There does not need to be, as Finding 1 suggests, a statement that a third-

[21] These agreements for residential third-party administrators were updated in 2026, however, the audit team did not ask for these documents prior to concluding they did not exist. Had FFPA been aware that the audit team intended to make a finding based on outdated information, it would have provided these documents as soon as they were executed.

party administrator agrees not to impose assessments itself: this is axiomatic, and anyone with an understanding of either PACE financing or the inherent authority to impose assessments in Florida understands that a contractual provision to not do a thing that is wholly outside of both the ability of a party to do and outside of any rational expectation of what that party would do is as unnecessary as a contractual agreement to stop at stop signs while driving. It is not necessary for this language to exist in a contract in order to demonstrate compliance with the law.

Applicability of State Expenditure Rules to the Agency

Findings 7, 8, and 9 are based on the premise that the same rules governing state agencies are applicable to FPFA, which is an independent special district rather than a state agency. Throughout the audit process, it became clear that the audit team was unable to review FPFA's expenditure processes in light of the applicable statutes instead of the statutes explicitly applicable only to state agencies. For example, Finding 7 addresses the failure of a traveler to include public purpose documentation on a voucher presented for payment. This approach is foreign to FPFA's process as an independent special district—there are no vouchers, which are unique to "state officers, employees, and authorized persons" pursuant to section 112.061, *Florida Statutes*. FPFA is free to adopt alternative, reasonable rules for processing and documentation of reimbursement payments.

A public purpose is anything which tends to benefit the public.[22] This is an extraordinarily loose standard, and the public entity's statements as to public purpose are to be upheld unless they are not supported by competent, substantial evidence—such as an employee's good-faith belief that the expenditure will benefit the public and providing a reason therefore.

All three examples provided in Finding 7 were expenditures made for a public purpose, which was stated in good faith by an FPFA employee. Finding 7 also indicates that FPFA somehow fell short of standard because the audit team—without context of what purchases were made at what times and for what purposes—did not immediately understand the public purpose behind each purchase from the receipts submitted in accordance with FPFA policy.

The language of Finding 7 likewise conflates FPFA requirements related to travel expenses, non-travel reimbursable expenses, and debit card purchases. For example, Finding 7 states "FPFA policies require that all business-related costs be reasonable,

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[22] *See generally State v. Miami Beach Redevelopment Agency*, 392 So. 2d 875 (Fla. 1980).

necessary, and directly connected to legitimate FFPA purposes, and prior approval be obtained for any vehicle-related purchases over $100 and for any other business purchases over $25." However, in making that statement, the finding omits the fact that for all of the purchases under review, prior approval was achieved because the Executive Director was the only person with the debit card, and it is the Executive Director who approves the purchases. FFPA can only imagine this confusion was due to an effort to map state agency expenditure rules onto an independent special district responsible for creating its own systems. This resulted in the conclusion that "contrary to state law" the former Executive Director failed to provide a signed statement relating to travel expenses (that's required for entities that use the state reimbursement system, not for entities like FFPA that do not) and "state law requires such a statement as well as a written declaration that the information is true and correct"—these are rules that apply to state agencies, not to FFPA, which has the authority to adopt its own procedures and policies to handle reimbursements. Those rules apply only to claims submitted pursuant to section 112.061, *Florida Statutes*, which the expenses described were not.

Factual Discrepancies

This six-month operational audit expanded in scope to cover financial matters, expanded in time to reach well before the audit period for both operational and financial matters, and covered processes and regulatory systems that were both unfamiliar to the audit team and, in the case of the regulatory systems, brand new as of the start of the audit period to both the audit team and FFPA. It is perhaps unsurprising that the findings misstate facts. This section reviews the majority of those discrepancies, and acknowledges both the inexperience of the auditors led to missing information provided or not asking for the correct information on the one hand, and the possibility that certain FFPA processes may have resulted in errors or have room for improvement. After this section, this response discusses FFPA action in response to the recommendations in the findings, while this section focuses solely on correcting factual errors.

Finding 1

The third-party administration agreement between FFPA and HomeRun Financing has been updated. FortiFi is not currently originating new assessments, and is reviewing an updated agreement to be executed when they are prepared to resume active status as a third-party administrator.

Finding 2

While Finding 2 correctly identifies that contractor statements of compliance were not in forms approved by counties or cities, FPFA does not have the authority to compel counties or cities to provide forms or approve FPFA formats. The statement referenced in Finding 2 is sufficient to satisfy the requirement of a written acknowledgment, and FPFA has made these statements available to the various counties and municipalities to review or object to, and none have done so.

Finding 3

FPFA has a policy of writing to each tax collector and identifying the fee charged and format for submission of the annual assessment roll. Responses to this inquiry vary. FPFA has no mechanism available—short of a declaratory action in circuit court—to compel a tax collector to provide justification for the fee charged.

FPFA agrees that this deficiency in state law likely results in tax collectors over-charging constituents by simply charging the maximum fee, rather than the actual costs of collection as required by statute. The only study of which FPFA is aware reviewing these costs was completed over a decade ago in Broward County, and it concluded the the actual costs of collecting non-ad valorem assessments generally was 0.11%.

Finding 4

Finding 4 identifies ninety deficiencies occurring before July 1, 2024, when Chapter 2024-273 took effect. As discussed above, these are not deficiencies because the new statute does not apply retroactively to assessments in process prior to the effective date of that statute.

FPFA would also note that this situation, definitionally, cannot repeat itself—there are no further assessments that were in progress before July 1, 2024, that are still open. These items, therefore, do not meet the standards of significance.

Nevertheless, the deficiencies reported do not actually exist. There are many misstatements of fact in Finding 4:
- ". . . as of January 2026, the FPFA had not established written policies and procedures for TPAs to follow regarding the underwriting process." FPFA has provided written underwriting guidelines to each third-party administrator, as provided in the

appendices to the contracts between FPFA and each program administrator. These documents were provided to the audit team.

- The audit team did not evaluate its sample for compliance with the statute. Instead, it evaluated the sample based on whether a date-stamped document existed with a date prior to the issuance of the Notice to Proceed, which in almost all instances occurs prior to the execution of or entering into of the financing agreement, which is what the statute requires. This finding provides **no information whatsoever** as to whether the assessments sampled complied with the statute. However, the documentation provided to the audit team indicates that each of those assessments did, in fact, comply.
- The audit team identified six assessments in which it concluded FPFA did not evidence timely payment of taxes for the preceding three years (or the property owner's period of ownership, whichever is less). For each of these assessments, a screenshot of the tax collector's record was submitted (with no date stamp), a report entitled Title Report showing no evidence of delinquent taxes corroborating the undated screenshot, and a log entry showing when the Title Report was accessed. In all cases, the Title Report was accessed on or before the date the Notice to Proceed was issued, and before the financing agreement was entered into. Additionally, for one assessment (ID 5519374), the property owner's period of ownership was just one day prior to the Notice to Proceed, and that day was not March 30   so it would be mathematically impossible for there to have been any missed tax payments. This information was supplementally provided to the audit team but the inaccurate finding remains.
- The audit team identified twenty-seven assessments in which it concluded FPFA did not evidence verification that there were no outstanding code enforcement or zoning liens on the property. FortiFi and HRF use two different report types, each of which includes a last-updated date. The date these files were accessed is noted in the logs provided to the audit team. In each instance, the reports show that there are no reported code enforcement or zoning liens (though in one instance, there is a recorded violation but no lien, which indicates the violation was satisfied before it matured into a lien). In discussions between the audit team and counsel for FortiFi, it became apparent that FortiFi would have been in compliance had it used an "Enhanced Transaction History Report" (the same Title Report HRF uses) instead of the "Total View Report" it used. Both of these reports constitute a review of public records derived from a commercially accepted source, and the audit team's conclusion that one report is superior does not create a deficiency when the other report is used. Further, FortiFi demonstrated with examples why it uses the ETHR report, as that report identified a problem that the TVR report did not (which, upon further investigation, turned out not to be disqualifying). The audit team has provided no explanation of either its conclusion that the ETHR report is insufficient or its finding

that FPFA's determination that was in compliance with the statute is somehow deficient because of the option to use one or the other report.

- The audit identified seven assessments in which it concluded FPFA did not evidence verification that there were no involuntary liens on the property. However, this evidence was provided through the combination of the Title Report and the log demonstrating when the Title Report was accessed. This was supplementally provided to the audit team (and was included in the original files transmitted to the audit team) but the inaccurate finding remains.
- The audit identified one assessment in which it concluded FPFA did not evidence verification that there was no bankruptcy proceedings within the last five years (unless discharged more than 2 years prior to the date the property owner applied for financing. While HRF did approve one assessment where the original application for financing was submitted prior to the expiration of 2 years from the discharge of the property owner's bankruptcy, the application was resubmitted once the property owner passed the two-year mark and was approved. It is unclear why the audit team chose to reflect only the original application date rather than the renewed application date once the property owner qualified.
- The audit team identified forty-four assessments in which it concluded FPFA did not evidence verification that the average weighted useful life of the improvement to which the greatest portion of funds under the financing agreement is attributable is not less than the term of the financing agreement. The finding explanation confirms that FPFA complied with this in full, but in the audit team's belief the compliance occurred after the Notice to Proceed was issued. This is a fundamental misunderstanding of how the process for generating a Notice to Proceed works: the Notice to Proceed includes details of the term and the improvements to be completed, and it is impossible for a Notice to Proceed to be generated without the term being established based on the weighted useful life of the improvement—the improvement is what the term of years is based upon, so "verification" is not a separate process whereby someone in an office researches the improvement and establishes a number, then compares it to the term of years—it's inherently part of the term-determination process. Further, the audit team concluded that in 18 instances the term should have been changed from 30 years to 20 years because the Notice to Proceed was issued after July 1, 2024 when the application had been submitted before July 1, 2024, and therefore it was "unclear why" FPFA did not change the term of years after the application had been submitted. This is precisely the evil that the prohibition on retroactive substantive law attempts to avoid—the reliance on the law as it exists leading to a violation because the law changes subsequently. Not only is the inclusion of these 18 assessments an impermissible retroactive application of the statute, the audit team's view is that FPFA is deficient for failing to violate the constitutional prohibition on taking property without due process and constitutional separation of

power principles. The inclusion of any items here—whether part of the 18 assessments with 30-year terms or those in which the verification was done as part of the term-generation process is inaccurate and a misapprehension of how financing agreements and notices to proceed are created.

- The audit team identified eighteen assessments in which it concluded FPFA did not evidence verification that the property owner's estimated annual payment did not exceed 10% of household income, including one in which the annual payment exceeded 10% of household income by $600. Each of these purported deficiencies arises from retroactively applying Chapter 2024-273 to in-process assessments, including the one assessment where the annual payment exceeded the threshold that would have been required had the statute applied retroactively. The finding acknowledges that statutory compliance was achieved in each case before the agreement was executed, but finds the process deficient anyway. This is erroneous and should not be listed as a deficiency.
- The audit team identified twenty-four assessments in which it concluded FPFA did not evidence advice, in writing, to property owners to obtain multiple estimates for projects exceeding $10,000. Of these twenty-four, seven were associated with HomeRun Financing and were in process as of July 1, 2024: the statute requiring the disclosure did not apply. In all instances, FortiFi advises property owners verbally to seek multiple quotes and refers them to a section of their website with written advice to seek multiple estimates on all projects. It is unclear why the audit team found a deficiency here, as the property owners with respect to these assessments were provided with written advice to seek the additional estimates—there is no requirement of formatting, hard copy advice, or specific format requirements that the audit team can point to to justify why the verbal advice and website text is deficient.

Finding 5

Initially, it is noted that in the updated Finding 5 change-tracking screenshot that was provided to FPFA, there is a footnote "C" that does not have a corresponding in-text reference. It is unclear what the footnote refers to.

In all cases, the audit team admits that each of the deficiencies specifically identified in Finding 5 comes from assessments which are not subject to the Chapter 2024-273 changes. The finding does not acknowledge that the required disclosures exist and were included in the financing agreement packet; it merely indicates that the audit team was told this was the case.

Finding 5 also contains a core misunderstanding of the process—it indicates that a disclosure contained in a financing agreement was not presented until that financing agreement is fully executed, after the project is complete, and concludes that this defeats the purpose of the disclosure if not the statutory language. The audit team fails to describe the fact that the property owner is presented with and signs the financing agreement prior to the Notice to Proceed being issued meaning that they acknowledged, in writing, all of the disclosures contained in the financing agreement prior to the Notice to Proceed. This purported deficiency is no deficiency at all.

Finding 6

FPFA has policies in place to ensure that third party administrators do not operate in areas that have not approved FPFA's operation. These include specific instructions to third party administrators related to approved areas, making the approved areas available in text and graphic form to third party administrators as soon as changes are made, and a review of assessments prior to submission for recording—these were all provided to the audit team and have been in place since years before the audit period and remained in place at all times since, including prior to July 1, 2024. While FPFA is working on ways to improve these procedures, it is not accurate to find that "FPFA had not established policies and procedure to ensure that TPAs did not enter into PACE financing agreements in counties and municipalities that had not formally authorized PACE program participation."

Finding 7

Initially, it is noted that this finding addresses matters outside of the scope of an operational audit and outside of the audit period.

Finding 7 objects to a number of debit card purchases for which there was no evidence of Board approval. Board approval is not required by law or FPFA policy.

Finding 7 also states that "the public purpose for 7 purchases was not evident based upon the receipts." The finding does not identify those 7 purchases, and FPFA cannot respond given that each expenditure made by FPFA had a public purpose which was apparent, to FPFA and its accountants and financial auditors, based on the receipt. It is only this audit team, lacking the context that all other reviewers have had, that has failed to find public purpose.

Finding 7 identifies three expenditures which the audit team states "Although we requested, FPFA personnel were unable to provide records demonstrating a valid, public purpose for these purchases or evidence of review and approval of the purchases." This is inaccurate. For each of the three expenditures identified, FPFA personnel responded and stated the public purpose, which was apparent from the receipts (which were provided by FPFA to the audit team) without additional explanation to all other reviewers. An item does not lack a public purpose simply because it is different than what the audit team, without context, would expect.

Finding 7 also inaccurately states "In response to our inquiries, the Executive Director indicated that there is no prior approval for payment, since a debit card transaction is automatically deducted from the checking account." This is a conflation of a response to a question about reimbursements with a response to a question about debit card purchases. As stated previously, the debit card holder is the person responsible for approving expenditures over the stated thresholds: the Executive Director. The use of the debit card itself is proof of approval. Neither law nor FPFA policy requires the Executive Director's supervisors—the Board of Directors—to approve purchases in excess of $25 simply because they are made with a debit card.

Finding 8

Initially, it is noted that this finding addresses matters outside of the scope of an operational audit and outside of the audit period.

Finding 8 incorrectly ascribes the per diem rule to entertainment expenses: the finding identifies thirteen "meal expenses" but the only examples provided are entertainment expenses that involved providing food for FPFA operating partners and their employees. Entertainment expenses are not governed by per diem rules.

As explained in great detail to the audit team, the use of tax exemption for government rates at the hotels FPFA's Executive Director (as Director of Operations at the time) attempted to book resulted in a requirement to register for a corporate account and use corporate rates, which exceeded the room rates that could be obtained by the public plus tax. It is erroneous to state, without context or citation, "hotels set room rates independent of taxes which are added separately at checkout." While rates may be set independently from taxes, the lowest rates are not available to corporate customers without a high volume of hotel nights booked each year, meaning that the lowest rates are not available to FPFA using a corporate account. Finding 8 presents no evidence apart from a conclusory statement that the audit team's belief about how hotel rates work, and draws a conclusion that would require FPFA to waste government resources avoiding taxes instead of using the most economical means of travel as required by law.

Agency Actions

While the preliminary and tentative findings are based on several fundamental misunderstandings of the law governing PACE assessments in Florida and include numerous discrepancies between findings presented and fact—and, on top of it all, are presented in a way that makes meaningful analysis impossible by not presenting findings based on compliance with law but rather based on compliance with law *prior to a non-statutory date*—there is much that can be learned, and FFFA is committed to improving. To that end, FFFA has already taken the following actions, either before or after the preliminary findings were provided.

Updated Third-Party Administrator Agreements. One is complete, and the commercial agreement for Bayview PACE is in progress. The agreement for FortiFi Financial is largely complete, but awaiting that entity's re-entry to the PACE market. This update resolves several control and oversight recommendations contained in the findings.

Approval for policy updates. At its most recent Board of Directors meeting, FFFA authorized updates to several key policies, including all of those recommended in Findings 7 and 8, and authorized adjustment to the Executive Director contract in accordance with Finding 9.

Tax Collector Fees. FFFA has updated its policy to include a request for justification of the tax collector's fee in its annual request for fee and format information. To date, one tax collector has responded to that request.

Updating Relationships with Counties and Cities. FFFA is in the process of outreach to the various counties and cities with which it has interlocal agreements to confirm satisfaction with, or a desire to update, the interlocal agreements to address any changes associated with Chapter 2024-273. During this process, FFFA is presenting its contractor approval process, requesting collaboration or approval, and obtaining approval for contractor local acknowledgments.

Conclusion

A first operational audit will always be difficult—which is why FFFA has been cooperative and patient throughout the lengthy process, despite it taking more than twice the estimated amount of time, covering significantly more in scope than was authorized, and despite the significant burden it has placed on FFFA resources. However, the factual inaccuracies that persist despite documentation being provided to the contrary, the insistence over not only FPFA's assertion but the reasoned opinion of independent attorneys that applying Chapter 2024-273 to assessments in process as of the effective date is an unlawful retroactive application of a substantive law, and the audit team's devotion not to presenting information on compliance with the statute but instead on compliance with the statute *prior to the date required by statute* as the standard for whether an assessment included a "deficiency" gives weight to the belief that the audit team was unable to avoid the bias that sections 3.27 and 3.28 of the *Yellow Book* seek to avoid. This is compounded by audit team statements of the motivation for selecting FPFA to be audited first of all the PACE entities, the refusal to provide the full statutory timeframe for a response to the preliminary and tentative findings, and the language by which the audit team finds that a perceived oversight could be tantamount to fraud or deliberate misconduct and provokes legal action against FPFA seeking to cancel assessments made in good faith.

This response serves as a request to review and re-evaluate the statements made in the list of findings in light of the evidence presented during the audit process and in response to the audit team's request for a dialogue regarding factual errors and misinterpretations, which FPFA in good faith attempted to engage in only to be rebuffed, to have its requests to meet declined, and to be given a tenth the amount of time approved by statute and rule to respond to a report that was presented largely in screenshots. It also serves as an acknowledgment that FPFA can always improve, and is taking the forward-looking recommendations of the audit team to heart.