

**Specialty License Plate Audit**  
**Lighthouse Soccer Foundation, Inc.**  
**Support Soccer**  
Audit Report 201415-06

April 20, 2015

## **Executive Summary**

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The purpose of this audit was to determine compliance with applicable laws, policies, and regulations related to the annual affidavit prepared by the Lighthouse Soccer Foundation, Inc. (Foundation) for the Support Soccer specialty license plate. The Foundation is required to submit a Specialty License Plate Revenue, Expenditure, and Compliance Affidavit to the Department of Highway Safety and Motor Vehicles (Department) within nine months after the end of the Foundation's fiscal year. The affidavits submitted by the Foundation for the 2013 and 2012 Fiscal Years ended June 30, 2013 and 2012, respectively, were used for this audit.

For every Support Soccer specialty license plate sold or renewed, a \$25 annual use fee is charged and distributed, as required by statute, to the Foundation, a non-profit organization established to advance sportsmanship, leadership, and education through soccer. Section 320.08058(53), Florida Statutes (F.S.), specifies five percent is to be used for administrative costs and up to 25 percent may be used for continuing promotion and marketing of the license plate and concept. The remainder is to be distributed for various soccer activities.

During our audit, we determined the Foundation was not in compliance with several applicable laws, policies, and regulations related to the annual affidavits, including:

- Untimely distribution of funds for incorrect amounts to statutorily specified soccer organizations;
- Disbursement of funds in excess of the amount allowed by law for administrative purposes;
- Use of a direct payment methodology instead of the statutorily required grant mechanism;
- Untimely submission of annual affidavits; and
- Inadequate documentation, classification, and recording of expenditures.

The Foundation concurred with the recommendations, and has begun to implement corrective actions.

## Background and Introduction

Specialty license plates are license plates available to the general public with unique designs that promote philanthropic and other causes and require payment of an additional annual use fee. Section 320.08056, F.S., authorizes the issuance of all specialty license plates and specifies the annual use fee for the more than 120 specialty license plates Florida offers.

Section 320.08062, F.S., grants the Department authority to examine all records relating to the use of specialty license plate funds. The Office of Inspector General included the examination of specialty license plate recipient organizations in its annual work plan.

For every Support Soccer specialty license plate sold or renewed, a \$25 annual use fee is charged and distributed, as required by statute, to the Foundation, a non-profit organization established to advance sportsmanship, leadership, and education through soccer. Section 320.08058(53), F.S., specifies the funds are to be used as follows:

<b>Percentage</b>	<b>Purpose</b>
20	Distributions to Florida Youth Soccer Association (FYSA)
10	Distributions to Florida State Soccer Association (FSSA)
20	Grants to promote participation by the economically disadvantaged and to support soccer programs where none previously existed
10	Grants to promote and support the construction of fields and soccer specific infrastructures
10	Grants to foster and promote health, physical fitness, and educational opportunities through soccer
Up to 25	Continuing promotion and marketing of the license plate and concept
5	Administrative costs

The Foundation reported receipts of \$127,583.77 and \$131,566.00 in specialty license plate fees for the 2013 and 2012 Fiscal Years.

We used the Foundation's 2013 and 2012 affidavits and financial records for this audit.

## Findings and Recommendations

During our audit, we determined the Foundation was in noncompliance with several applicable laws, policies, and regulations related to the annual affidavits for the Support Soccer specialty license plate, as described below.



**Statutory-Required Distributions for Soccer Associations**

Section 320.08058(53), F.S., states that 20 percent of the proceeds of the annual use fee be distributed to the FYSA for programs and services that foster the physical, mental, and emotional growth and development of Florida’s youth through the sport of soccer at all levels of age and competitions, including a portion to be determined by the FYSA for the TOPSoccer to promote participation by the physically and mentally disadvantaged. Additionally, 10 percent of the proceeds is required to be distributed to the FSSA to promote the sport of soccer and the long-term development of the sport.

The amounts required by statute to be distributed to the FYSA and FSSA as well as the amounts actually distributed and reported by the Foundation for the 2013 and 2012 Fiscal Years are included below:

Organization	Fiscal Year	Statutory Distribution	Reported by Foundation	Under - Distributed
FYSA	2013	\$25,516.75	\$1,100.00	\$24,416.75
FYSA	2012	\$26,313.20	\$3,000.00	\$23,313.20
				<b>\$47,729.95</b>
FSSA	2013	\$12,758.38	\$2,500.00	\$10,258.38
FSSA	2012	\$13,156.60	\$3,000.00	\$10,156.60
				<b>\$20,414.98</b>

In summary, the Foundation under-distributed \$47,729.95 to the FYSA and \$20,414.98 to the FSSA for the combined 2013 and 2012 Fiscal Years. We inquired about the status of the distributions in August 2014. We determined the under-distributed portion of the funds was disbursed to the FYSA and FSSA from March through November 2014, resulting in delays of 16 to 22 months. Additionally, we inquired regarding the status of distributions subsequent to the 2013 Fiscal Year. The Foundation indicated distributions were also delayed during the 2015 and 2014 Fiscal Years. As of December 31, 2014, the outstanding distributions totaled \$26,794.00 and \$15,586.00 to the FYSA and FSSA, respectively. The Foundation is establishing a payment schedule, in coordination with the FYSA and FSSA, to bring the distribution amounts current.

**Finding 1**

The Foundation did not distribute the correct amount of statutorily required funds to the FYSA and FSSA in a timely manner.

**Recommendation**

We recommend the Foundation accurately and timely distribute the statutorily required amounts of annual use fees to the FYSA and FSSA.

## Management Response

The Foundation has implemented checks and balances and a monthly distribution of these funds. Improved coordination with the FSSA and FYSA will address matters regarding the use of funds and the timely cashing of checks. A repayment plan has been developed to bring distributions to the FSSA and FYSA current.

### *Statutory Allocation for Administrative Costs*

Section 320.08058(53), F.S., states that five percent of the annual use fees distributed to the Foundation are for administrative costs associated with the management and distribution of the proceeds. Additionally, Section 320.08062(1)(b), F.S., requires organizations not subject to audits required by Section 215.97, F.S., to annually attest that annual use proceeds were used in compliance with law. The attestation (affidavit) is annually made by the organization in a form and format determined by the Department.

Our review of the affidavits filed for the 2013 and 2012 Fiscal Years indicated \$9,634.12 and \$2,013.66, respectively, were expended for administrative purposes according to the Foundation. Therefore, based on \$127,583.77 of revenues in the 2013 Fiscal Year, the Foundation exceeded the statutory limitation of \$6,379.19 by \$3,254.93. The administrative expenses for the 2012 Fiscal Year were \$4,564.64 below the statutory limitation.

## Finding 2

The Foundation exceeded the amount allowed by the statute for administrative purposes for the 2013 Fiscal Year.

### Recommendation

We recommend the Foundation regularly monitor its level of administrative expenses during the year to ensure the annual statutory limit is not exceeded.

## Management Response

Administrative expenses will be limited to allowable expenses and monitored to ensure the annual statutory limit is not exceeded.

### *Payment Methodology*

Section 320.08058(53), F.S., requires the proceeds of the annual use fee be distributed as grants for the following purposes:

- Twenty percent to promote participation by the economically disadvantaged and to support soccer programs where none previously existed;
- Ten percent to promote and support the construction of fields and soccer-specific infrastructure; and
- Ten percent to foster and promote health, physical fitness, and educational opportunities through soccer.

The Foundation reported \$126,287.60 was expended for the purposes described above for the 2013 and 2012 Fiscal Years combined. To make funds available to soccer-related organizations for the activities described in the statute, the Foundation solicited and accepted applications from various organizations (grantees). The Foundation made grant awards and associated payments to 19 grantees for \$14,185 for the three grants classifications. However, our analysis of the overall payment methodology indicated the majority of payments were not in the form of grants but instead were direct payments to providers of goods or services for soccer activities or programs.

The statute specifically provides the proceeds should be distributed as grants for the soccer-related programs and activities. A grant mechanism generally incorporates solicitation, award, payment, and monitoring. Grant processes would give consideration to broad-based awareness of the grants availability in the soccer community, elimination or proper disclosure of any potential conflicts of interest, and proper notification to grantees regarding statutory requirements for the use of funds and reporting requirements.

### **Finding 3**

The Foundation did not use the statutorily required grant mechanism as a payment methodology for soccer programs and activities.

### **Recommendation**

We recommend the Foundation review the statutes and revise its policies and procedures to ensure future payments for soccer programs and activities are made through a grant mechanism.

### **Management Response**

The Foundation has implemented a grant application and review process which includes consideration of any perceived or real interest in the grant proceeds by the Foundation directors. Revised applications and Board action will fully comply with the statutory language and percentage allocations of the various grant categories.

### ***Reporting Requirements***

Section 320.08062(1), F.S., requires organizations not subject to audits required by Section 215.97, F.S., to annually attest that annual use proceeds were used in compliance with law. The annual affidavit shall be submitted to the Department for review within nine months after the end of the organization's fiscal year. The affidavit is annually made by the organization in a form and format determined by the Department.

The affidavits for the 2013 and 2012 Fiscal Years were due March 31, 2014 and March 31, 2013, respectively. The 2013 and 2012 affidavits were both filed over a month late on May 9, 2014, and May 10, 2013, respectively. Subsequent to initial audit inquiries, the Foundation prepared amended affidavits which were submitted on October 1, 2014.

The nature of the Foundation's recordkeeping, as noted in Finding 5, contributed to the delay of the initial filing and the need to submit amended affidavits.

### **Finding 4**

The Foundation did not timely submit annual affidavits as required by statute.

### **Recommendation**

We recommend the Foundation review its processes and recordkeeping to ensure annual affidavits are submitted within the statutory timeframe of nine months.

### **Management Response**

The Foundation has incorporated the preparation and filing of affidavits on a timely basis into the Board meeting schedule, and has engaged a CPA to ensure timely compliance. The 2014 affidavit was timely filed, and the Foundation's goal is to file the 2015 affidavit within three months of the fiscal year end.

### ***Recordkeeping***

Section 320.08062(1)(b), F.S., requires organizations not subject to audits required by Section 215.97, F.S., to annually attest that annual use proceeds were used in compliance with law. The affidavit is annually made by the organization in a form and format determined by the Department. According to the Department Procedures and Requirements, expenditures reported on the affidavit are subject to disallowance if they cannot be substantiated with a detailed employee time sheet, or a receipt, cancelled check, etc. Additionally, Section 215.97(8)(d), F.S., requires records be maintained for the expenditure of funds. Further, Section 617.1601(2), F.S., provides not for profit corporations shall maintain accurate accounting records.

Our review of the records maintained by the Foundation indicated a substantial number of expenditures were not adequately documented or classified. Examples included:

- Absence of invoices for expenses related to soccer clinics;
- Incomplete explanations of the grant purpose; and
- Misclassifications of the statutory grant categories.

We used analytics and inquiries to conclude the expenditures appeared to be related to soccer activities and programs. However, after-the-fact determinations are not a substitute for contemporaneous recordkeeping. The accuracy and reliability of recordkeeping is maximized when relevant documents are maintained and appropriate notations or classifications regarding the purpose or activity are recorded in a timely manner. When individual transactions and documents are classified and summarized into accurate complete accounting records, it allows an organization to properly inform its directors, donors, and funders of its activities in a timely and reasonable manner.

## **Finding 5**

The Foundation did not adequately document, classify, and record expenditures.

## **Recommendation**

We recommend the Foundation develop and implement processes to document, classify, and record expenditures to provide for timely, accurate, and complete recordkeeping.

## **Management Response**

The Foundation has identified allowable expenses and implemented internal controls to ensure that all disbursements are supported by appropriate documentation. The Board has the power to review those expenses at each Board meeting to ensure compliance.

## **Purpose, Scope, and Methodology**

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The purpose of this audit was to determine the Foundation's compliance with applicable laws, policies, and regulations related to the annual affidavit prepared by the Foundation for the Support Soccer specialty license plate.

The scope of this audit included revenues and expenditures reported on the Foundation's affidavit for the 2013 and 2012 Fiscal Years, and specialty license plate revenue and expenditures reported in the Foundation's financial records for the 2013 and 2012 Fiscal Years.

The methodology included:

- Reviewing Florida Statutes related to specialty license plate fees;
- Reviewing Department policies and regulations related to specialty license plate fees;
- Reviewing the Foundation's policies related to the use of specialty license plate fees;
- Reconciling the Department distribution of annual use fees to revenues reported on the affidavit filed by the Foundation;
- Reconciling the expenditures reported on the affidavit to the Foundation's financial records;
- Reviewing the use of funds by the Foundation to ensure there is adequate supporting documentation, and the expenditures are for purposes authorized by statute;
- Reviewing timing, availability, and content of reports such as affidavits, single audits, or subrecipient monitoring; and
- Comparing expenditures to statutory requirements for distributions and annual allocation limits, and reviewing reasonableness of balances.



## Distribution, Statement of Accordance, and Project Team

### Distribution

Terry L. Rhodes, Executive Director  
Diana Vaughn, Deputy Executive Director  
Leslie Palmer, Chief of Staff  
Boyd Dickerson-Walden, Director of Motorist Services  
Deb Roby, Deputy Director of Motorist Services  
Julie Baker, Bureau Chief of Issuance Oversight

Gary Walker, President, Lighthouse Soccer Association, Inc.  
Kenneth Kennerly, Director, Lighthouse Soccer Association, Inc.  
Arthur Mattson, Director, Lighthouse Soccer Association, Inc.

Melinda M. Miguel, Chief Inspector General  
David W. Martin, Auditor General

### Statement of Accordance

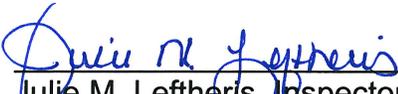
Section 20.055, Florida Statutes, requires the Florida Department of Highway Safety and Motor Vehicles' Inspector General to review, evaluate, and report on policies, plans, procedures, accounting, financial, and other operations of the Department and to recommend improvements. This audit engagement was conducted in accordance with applicable *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General. Pursuant to Chapter 119, Florida Statutes, public records held by the Department's Inspector General are available upon request for inspection or copying.

### Project Team

Engagement conducted by:  
Cindy Fernald, Auditor

Under the supervision of:  
David Ulewicz, Audit Director

Approved by:

  
Julie M. Leftheris, Inspector General

**ATTACHMENT - Management Response**



**THE LIGHTHOUSE SOCCER FOUNDATION, INC.**

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APRIL 7, 2015

Mr. David Ulewicz, Audit Director  
Florida Highway Safety and Motor Vehicles  
2900 Apalachee Parkway  
Tallahassee, Florida 32399

Dear Mr. Ulewicz:

In response to the list of preliminary and tentative audit findings and recommendations per your March 11, 2015 letter, I concur with the recommendations and my responses to the various findings are as follows:

**FINDING 1**

The Foundation has implemented checks and balances and a monthly distribution of these funds. The funds are verified by referencing the FLAIR report and the monthly bank statement. A follow up call is made to insure that FSSA and FYSA has received the check if the check does not appear to have been cashed within 10 days of issuance. Some of the distributions in the past were delayed due to a failure to respond on behalf of FYSA and FSSA to a request for assurances as to how the funds were being utilized by them. This request will be sent annually to comply with governing rules and statutes. Some checks were actually not cashed by FYSA and FSSA and this issue has now been resolved. The Foundation has established a two year repayment plan to bring the distributions to the FYSA/FSSA current starting in April 2015.

**FINDING 2**

The distribution of administrative expenses is being made on a monthly basis and is limited to allowable expenses as explained during the audit process. The funds are verified by referencing the FLAIR report and the monthly bank statement. The Foundation will monitor its level of administrative expenses during the year to ensure the annual statutory limit is not exceeded.

FINDING 3

The Foundation has implemented a grant application and review process which also includes an abstention by Directors from any approval of grants wherein a Director has any perceived or real interest in the grant proceeds.

The Grant applications have been revised to fully comply with the statutory language of the various categories of grants allowable. The Board meets to determine the approval of the grant and review the grant categories specific to the grant application to insure that the various percentage allocations of funds are in compliance with the statute.

FINDING 4

The Foundation has incorporated the issue of preparing and filing the Affidavits on a timely basis into the schedule for Board Meetings. Fiscal year 2014 affidavit was timely filed and the Foundation has engaged a CPA to insure timely compliance. In addition, the goal is to have the 2015 affidavit filed within three months of the fiscal year end.

FINDING 5

The Foundation has identified allowable expenses and implemented internal controls to insure that all disbursements are supported by appropriate documentation. This insures the requisite documentation prior to issuance of any funds for expenses. The Board has the power to review those expenses at each Board meeting to insure compliance.

I trust my responses and planned corrective action will be to your satisfaction and please contact me if you have any questions.

Sincerely,



Gary Walker  
President

