



Specialty License Plate Audit
Florida Heart Research Foundation, Inc.
Stop Heart Disease
Audit Report 201314-30

June 13, 2014

Executive Summary

The purpose of this audit was to determine compliance with applicable laws, policies, and regulations related to the annual affidavit prepared by Florida Heart Research Foundation, Inc. (Foundation) for the Stop Heart Disease (SHD) 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 most recent affidavit the Foundation submitted, for the 2013 Fiscal Year ended December 31, 2013, was used for this audit.

For every SHD 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, promote, fund, and support cardiovascular disease research, education, and prevention within the State of Florida. Section 320.08058(43), Florida Statutes (F.S.), specifies that no more than 20 percent of fees collected may be used for administrative costs directly associated with the operation of the Foundation, and marketing and promotion of the SHD license plate. Program funds shall be used for cardiovascular research, cardiovascular screenings, and educational programs.

During our audit, we determined that the Foundation generally complied with applicable laws, policies, and regulations related to the annual affidavit. However, we did note that the use of administrative, marketing, and promotion funds was not reported on an annual basis.

The Foundation concurred with the audit finding, and made appropriate procedural and reporting revisions.

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.

The SHD specialty license plate was enacted in 2003. For every SHD 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, promote, fund, and support cardiovascular disease research, education, and prevention within the State of Florida.

Section 320.08058(43), F.S., specifies that no more than 20 percent of fees collected may be used for administrative costs directly associated with the operation of the Foundation, and marketing and promotion of the SHD license plate. Program funds shall be used for cardiovascular research, cardiovascular screenings, and educational programs.

The Foundation received \$276,364.57 in specialty license plate fees for the 2013 Fiscal Year.

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

Findings and Recommendations

During our audit, we determined that the Foundation generally complied with applicable laws, policies, and regulations related to the annual affidavit for the SHD specialty license plate. However, we identified the following issue which requires management attention.

Statutory Allocation for Administrative, Marketing, and Promotion Costs

Section 320.08058(43), F.S., states that no more than 20 percent of fees collected may be used for administrative costs directly associated with the operation of the Foundation, and marketing and promotion of the Stop Heart Disease license plate.

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.

The Foundation is closely related to the Florida Heart Research Institute (Institute). The two entities share facilities and a common mission. The Institute incurs costs throughout the year and the Foundation reimburses administrative, marketing, and promotion (AMP) costs permitted by F.S. at the end of the year with specialty license plate funds. The Foundation designed a well-documented methodology for tracking AMP costs across reporting periods, as well as the related amounts due to the Institute. However, the methodology resulted in AMP costs being reported in annual periods other than the current period of the AMP statutory allocation.

Statutory allocations involving AMP cost classifications are related to annual fee collections and reported on an annual basis. The statutes do not provide for carry-forward or carry-back of cost classifications. Therefore, organizations should use and report AMP costs on an annual basis

Subsequent to our audit inquiry, Foundation staff amended the 2013 affidavit and revised its procedures to only report AMP costs to the extent of the annual allocation based on current year fees collected.

Finding 1

The Foundation did not report AMP costs on a current annual basis.

Recommendation

We recommend that the Foundation continue to use the revised procedures for calculating and reporting its AMP allocation and costs.

Management Response

The Foundation filed an amended affidavit to reflect only current cost for the year reported. The debt owed to the Institute was eliminated, and the Foundation will adhere to the Florida Statutes and rules for expending and reporting costs in current periods.

Purpose, Scope, and Methodology

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 SHD specialty license plate.

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

The methodology included:

- Reviewing Florida Statutes related to specialty license plate fees;
- Reviewing Department policies and procedures related to specialty license plate fees;
- Reviewing the Foundation's policies and procedures 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 that the expenditures are for purposes authorized by statute;
- Reviewing timing, availability, and content of reports such as affidavits, single audits, or sub recipient monitoring; and
- Comparing expenditures related to distributions and annual allocation limits for compliance with Section 320.08058(43)(b), F.S., and reviewing reasonableness of balances.

Distribution, Statement of Accordance, and Project Team

Distribution

Terry L. Rhodes, Executive Director
Kathleen DuCasse, Chief Executive Officer, Florida Heart Research Foundation, Inc.

Copies distributed to:

Diana Vaughn, Deputy Executive Director
Leslie Palmer, Chief of Staff
Boyd Walden, Director of Motorist Services
Steven Fielder, Deputy Director of Motorist Services
Julie Baker, Bureau Chief of Issuance Oversight
Nancy Cavale, Chief Operating Officer, Florida Heart Research Foundation, 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.

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



Florida Heart Research Foundation

4770 Biscayne Blvd., Suite 500 • Miami, FL 33137

Phone: (305) 604-3252 Fax: (305) 535-3642

Toll Free: (866) HRT-TAGS Web: www.heartplate.org

May 21, 2014

Office of Inspector General
Preliminary and Tentative Finding
Report Number: 201314-30
Report Title: Specialty License Plate Audit, Stop Heart Disease

Statutory Allocation for Administrative, Marketing, and Promotion (AMP) Costs

To whom it may concern:

Florida Heart Research Foundation agrees that Statutory Allocation for Administrative, Marketing, and Promotion (AMP) cost were reported in annual periods other than the current period and were carried forward in hope to fully recover cost expended by the institute. Our corrective action includes the elimination of the debt the foundation had to the institute and will adhere to the Florida Statutes and rules to expend and report costs in current periods. We have already amended and filed with your office our affidavit to reflect only current cost for the year reported.

If you have further questions please do not hesitate to contact us.

Sincerely,

Nancy R. Cavalle
Chief Operating Officer

Working to Stop Heart Disease through Research, Education and Prevention!