

Specialty License Plate Audit The Dream Foundation, Inc.

Audit Report 201314-45

August 4, 2015

Executive Summary

The purpose of this audit was to determine compliance with applicable laws, policies, and regulations related to the annual affidavit prepared by the Dream Foundation, Inc. (Foundation) for the Live the Dream 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 2012, 2013, and 2014 Fiscal Years ended June 30, 2012, 2013, and 2014, respectively, were used for this audit.

For every Live the Dream 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. Section 320.08058(48), Florida Statutes (F.S.), specifies five percent of the proceeds is to be used for administrative costs and up to 25 percent be used for continuing promotion and marketing of the license plate and concept. The remainder is to be distributed:

- For programs and services that improve the health of babies through the prevention of birth defects and infant mortality (25 percent);
- To decrease racial disparity in infant mortality and increase healthy birth outcomes. Funding will provide services and increase screening rates for high-risk pregnant women, children under 4 years of age, and women of childbearing age (10 percent);
- For programs that provide research, care, and treatment for sickle cell disease (25 percent); and
- For programs that provide relief from poverty, hunger, and homelessness. (10 percent).

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

- Significant under distribution of funds to statutorily specified organizations;
- Disbursement of funds significantly in excess of the amount allowed by law for administrative and marketing purposes;
- Untimely submission of annual affidavits;
- Inadequate documentation and recording of distributions and payments; and
- Lack of internal controls.

Foundation management provided a plan of corrective action. The timely and complete implementation of the corrective action plan will be a factor in the Department’s decision regarding distribution of funds and other actions. Funds have been withheld since March 30, 2015, due to the Foundation’s inability to provide records, and continue to be withheld due to noncompliance.

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 Live the Dream 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. Section 320.08058(48), F.S., specifies distributions to certain named organizations and four programmatic purposes as follows:

Percent	Organization	Purpose
25	March of Dimes <i>(Florida chapter)</i>	Improve the health of babies through the prevention of birth defects and infant mortality
10	Florida Association of Healthy Start Coalitions, Inc. (Association)	Decrease racial disparity in infant mortality; increase healthy birth outcomes; provide services and increase screening rates for high-risk pregnant women, children under 4 years of age, and women of childbearing age
25	Sickle cell disease (SCD) organizations	Provide research, care, and treatment for sickle cell disease to Florida members of the Sickle Cell Association of America, Inc.
10	Community* Partnership for Homeless, Inc. (Partnership) <i>*name changed to Chapman in 2011</i>	Provide relief from poverty, hunger, and homelessness.

Additionally, up to 25 percent of the proceeds may be used for continuing promotion and marketing of the license plate and concept, and five percent is to be used for administrative costs.

The Foundation reported receipts of \$145,354.04, \$137,895.62, and \$134,922.30 in specialty license plate fees for the 2012, 2013, and 2014 Fiscal Years, respectively.

As of March 30, 2015, the Department withheld funds for the Fiscal Year ended June 30, 2015, based on the Foundation's inability to provide records. The funds continue to be withheld due to noncompliance. Additionally, funds were temporarily withheld from July 2, 2014 through August 26, 2014, because the annual affidavit was not filed by the due date.

We used the Foundation's 2012, 2013, and 2014 affidavits and financial records for this audit.

Findings and Recommendations

During our audit, we determined the Foundation was not in compliance with several applicable laws, policies, and regulations related to the annual affidavits for the Live the Dream specialty license plate, as described below.

Statutory Required Distributions

Section 320.08058(48), F.S., requires distributions be made for four programmatic purposes, and names the organizations which are to receive the funds as summarized in the **Background and Introduction**. Our review of distributions disclosed the distributions were not made for the statutorily required amounts. Under-distributions totaled \$175,817.08 as summarized below and detailed in the accompanying EXHIBIT. The 2014 Fiscal Year distributions to the organizations were generally correct except the Partnership received no distributions. The 2013 and 2012 Fiscal Years distributions were substantially incorrect. Although the 2014 Fiscal Year distributions were significantly improved, such improvement does not eliminate accountability for the incorrect distributions in prior years.

Fiscal Year	March of Dimes	Association	SCD Organizations	Partnership	Under-distributed
2014	\$ 0.00	\$ 0.00	\$ 0.00	\$ 13,492.23	\$ 13,492.23
2013	\$ 29,986.66	\$ 4,452.21	\$ 12,348.58	\$ 13,789.56	\$ 60,577.01
2012	\$ 36,338.51	\$ 14,535.41	\$ 36,338.51	\$ 14,535.41	\$ 101,747.84
Total	\$ 66,325.17	\$ 18,987.62	\$ 48,687.09	\$ 41,817.20	\$ 175,817.08

Additionally distributions were not consistently made on a periodic basis (monthly or quarterly) for the four programmatic purposes. Absent a business reason to delay distributions, it was not evident why the Foundation would not remit the proceeds from the annual use fees to the named organizations on a consistent schedule.

Finding 1

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

Recommendation

We recommend the Foundation accurately and timely distribute required amounts of annual use fees for programs and organizations named in Section 320.08058(48), F.S.

We also recommend the Foundation consult with the Division of Motorist Services to develop a plan regarding the restoration of funding to the various organizations.

Management Response

The Foundation indicated there would be increased attention to updated contact information for the organizations, resolution of returned checks, and an improved transaction referencing system. The Foundation also indicated seeking a statutory change to centralize the payments with the Florida Sickle Cell Association.

The Foundation also described events related to the use of the image and the potential for a new specialty license plate design.

The Foundation indicated that it has established a two year repayment plan to bring the past due distributions current. They further indicated that it will consult with the Division of Motorist Services to support this plan and immediately implement an acceptable plan regarding the restoration of funding to the various organizations.

Auditor Note

While improvements regarding updated contacts, better transaction referencing, and clarification regarding the image use may improve accountability and minimize some operational uncertainties, these actions or lack of actions were not the basic cause of the significant under-distribution of funds to the various organizations. Payments were not scheduled or made to the organizations, but instead, were made for marketing. Corrective actions, as described by the Foundation for Finding 5, which include regular Board oversight and prohibiting external parties from access to the bank account are key processes to prevent such under-distributions in the future.

Statutory Allocation for Administrative and Marketing Costs

Section 320.08058(48), 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. The statute also states that up to 25 percent shall be used for continuing promotion and marketing of the license plate and concept. 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 statutory allocations disclosed the Foundation disbursed \$169,217.35 in excess of the amount allowed by law for the 2012, 2013, and 2014 Fiscal Years combined. The administrative and marketing allocations permitted by statute and the associated Foundation disbursements for each fiscal year are included below:

Purpose	Fiscal Year	Statutory Allocation	Foundation Disbursements	Over (Under) Allocation
Administrative	2014	\$ 6,746.11	\$ 8,466.94	\$ 1,720.83
	2013	\$ 6,894.78	\$ 6,521.12	\$ (373.66)
	2012	\$ 7,267.70	\$ 7,221.50	\$ (46.20)
Total		\$ 20,908.59	\$ 22,209.56	\$ 1,300.97
Marketing	2014	\$ 33,730.57	\$ 33,730.57	\$ 0.00
	2013	\$ 34,473.89	\$ 103,103.77	\$ 68,629.88
	2012	\$ 36,338.50	\$ 135,625.00	\$ 99,286.50
Total		\$ 104,542.96	\$ 272,459.34	\$ 167,916.38
Administrative and Marketing TOTAL		\$ 125,451.55	\$ 294,668.90	\$ 169,217.35

Further, the marketing consultant confirmed the substantial amount of overage for the marketing allocation for the 2012 Fiscal Year. As noted in Finding 1, the organizations received significantly less than required by law for the 2012 Fiscal Year. Thus the overpayment to the marketing consultant correlated to the under-distributions to the organizations. A similar result was noted during our analysis of 2013 Fiscal Year banking records in that the overpayment to the marketing consultant correlated to the under-distributions to the organizations.

Additionally, contracts, invoices, or a record of Foundation Board (Board) actions specifying the nature of services rendered for administrative and marketing purposes were not available for the 2012, 2013, and 2014 Fiscal Years. Specifically:

- Disbursements to the Foundation President were classified as administrative expenditures and totaled \$20,311.10 for the three years. We were provided a brief summary of the Foundation President's duties, but a contractual agreement or invoices were not available.
- Disbursements to the marketing consultant were classified as marketing expenditures and totaled \$272,459.34 for the three years. However, neither a copy of the contract or detailed invoices were available from the Foundation or the marketing consultant.

The Foundation's records should include sufficient detail, in either the contract or invoices, to describe the nature of the services provided. Contracts would generally include the scope, deliverables, and costs. Additionally, since the payment for

administrative services involves a Board member, the services should be approved by the Board with appropriate disclosure and documentation of the “conflict of interest” status as provided by good business practices and Section 617.0832, F.S.

Finding 2

The Foundation exceeded the annual statutory amount allowed for administrative and marketing purposes, and disbursements were not supported by contracts, invoices, or other records of Board actions.

Recommendation

We recommend the Foundation regularly monitor its level of disbursements for administrative and marketing purposes during the year to ensure the annual statutory limit is not exceeded, and to ensure payments are only made on the basis of approved contracts, invoices, or other Board actions.

We also recommend the Foundation consult with the Division of Motorist Services to develop a plan regarding the reimbursement of the administrative and marketing allocation overage.

Management Response

The Foundation indicated they will monitor its level of administrative expenses throughout the fiscal year to ensure the statutory limit is not exceeded. The Foundation further indicated that all distributions of marketing and administrative expenses will include supporting documentation and proper Board approval

Auditor Note

The bulk of administrative and marketing overpayments was for the marketing portion (\$167,916.38). The corrective action does not address the process which will be followed to ensure that marketing does not exceed the statutory allocation. A process similar to that for monitoring administrative expenses should be followed.

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 filed over four and five months late on August 25, 2014, and September 25, 2013, respectively. The 2014 affidavit was filed timely.

The nature of the Foundation's recordkeeping, as noted in Finding 4, contributed to the delay of the filings.

Finding 3

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

Recommendation

We recommend the Foundation review its processes and recordkeeping to ensure annual affidavits are submitted within the statutory timeframe of nine months after the end of the Foundation's fiscal year.

Management Response

The Foundation indicated that with the implementation of the new record-keeping and distribution ledgers as referenced in Finding 1, the annual affidavits will be filed in a timely fashion, at the same time the tax returns will be due to be filed.

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 annual affidavit is 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. Additionally, Section 215.97(8)(d), F.S., requires records of state financial assistance to be maintained. Further, Section 617.1601(2), F.S., provides not for profit corporations shall maintain accurate accounting records.

Our inquiries and review of the Foundation's records indicated a need for significant improvement in the accuracy, completeness, and timeliness of recordkeeping.

Accounting Records

The Foundation did not provide accurate summarized accounting records (such as ledgers) in a timely manner for the 2013 and 2012 Fiscal Years. The records were requested on July 30, 2014, and were provided as follows:

Fiscal Year	Affidavit prepared	Ledger provided
2014	August 25, 2014	August 25, 2014
2013	August 25, 2014	December 5, 2014
2012	September 25, 2013	March 3, 2015

Over four and seven months passed between the request for records and submission of rudimentary summarized accounting records by the Foundation for the 2013 and 2012 Fiscal Years, respectively. Summarized accounting records, such as ledgers, should exist at the time of the preparation and submission of affidavits, and such summary records should be maintained and readily available for review. There is no requirement for a particular form or complexity of summarized accounting records. Basically, the amounts reported on affidavits should agree with the summary accounting records which should tie to banking records or other detailed accounting records. However, the amounts reported on the affidavits for the three years varied significantly from the amounts reported on the ledgers.

Source Documentation

The Foundation did not have basic banking records readily available for review for the period prior to July 1, 2013. The 2012 and 2013 Fiscal Year banking records were not provided to us until July 2015, after extensive and repeated requests. Foundation correspondence with the organizations at the time of remittance of the distributions was not available. As mentioned in Finding 2, contracts and invoices were not available.

The absence of such records or delays in obtaining such records is indicative of serious deficiencies in internal control which compromises accountability for resources and timely recordkeeping. Even when records are provided through after-the-fact compilations or other means, such 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 board members, donors, and funders of its activities in a timely and reasonable manner.

Finding 4

The Foundation did not adequately or timely document, classify, record, and summarize 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 stated that transactions will be entered into a ledger as the deposit or expense is incurred, and that a monthly reconciliation will be prepared by the Executive Director and submitted to the Board.

Internal Controls

Section 215.97(1), F.S., discusses sound financial management, including effective internal controls, of state financial assistance. Internal control is defined as a process designed to provide reasonable assurance of achieving the objectives of compliance with laws and regulations and reliability of financial operations according to Section 215.97(2)(i), F.S.

Critical to the implementation of proper internal controls are:

- Appropriate governance by an organization’s board including active members with necessary knowledge and independence acting with due diligence and a duty of care.
- Proper level of segregation of duties including assignment and performance of appropriately segregated duties addressing the roles of authority and access. Roles and responsibilities should be defined for the initiation, execution, recording, and reporting of transactions.

Our review indicated the Board consisted of four members during the audit period, and was revised in April 2015 to consist of three members. The Board did not meet regularly, and Board minutes were not maintained. Two individuals performed the Foundation’s business as noted below:

Position	Board Member	Role	Statutory allocation permitted F.S. 320.0858(48)(b)
Foundation President	Yes	Limited administrative overview contact with: <ul style="list-style-type: none"> - some of the 16 organizations named in law to receive funds - marketing consultant. 	5 percent of specialty license plate fees for administrative costs
Marketing Consultant	No	Access to bank account for information purposes and the sole person scheduling payments for: <ul style="list-style-type: none"> - statutory distributions to 16 organizations - administrative payments to Foundation President - marketing consultant payments 	25 percent of specialty license plate fees for continuing promotion and marketing

We were unable to locate any evidence of secondary or independent reviews, such as the review and approval of payments, preparation of reconciliations of the bank records, or similar types of overview or monitoring of financial records. Additionally, we were not

able to locate Foundation records (such as Board minutes, Board procedures, a memorandum of understanding, etc.) describing internal controls for bank access and payment scheduling.

The absence of active Board oversight and internal control deficiencies over bank account access and payments provide an opportunity for incorrect payments and reporting, or the misappropriation of resources without timely detection.

Finding 5

The Foundation has not established internal controls which would provide reasonable assurance for accurate and timely payments and reporting of funds, and appropriate oversight and monitoring to enhance accountability and statutory compliance.

Recommendation

We recommend the Foundation establish internal controls related to, but not limited to, its governance model, roles and responsibilities, and accountability processes to provide reasonable assurance of accurate and timely payments and reporting to improve compliance with statutory requirements.

Management Response

The Foundation indicated that the current Board is implementing a form of checks and balances for the distribution of the funds. The Executive Director will be responsible for distributing funds and maintaining records with the Board's oversight. Access to bank account records or distributions will be limited to the board members or Executive Director. The Foundation is actively seeking a new member with credentials to assist in ensuring compliance with best practices.

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 affidavits prepared by the Foundation for the Live the Dream specialty license plate.

The scope of this audit included revenues and expenditures reported on the Foundation's affidavit for the 2012, 2013, and 2014 Fiscal Years, and specialty license plate revenue and expenditures reported in the Foundation's financial records for the 2012, 2013, and 2014 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

V. Bernard Jones, President, The Dream Foundation, Inc.
David Reece, Director, The Dream Foundation, Inc.
Sherry Reece, Director, The Dream Foundation, Inc.

Melinda M. Miguel, Chief Inspector General
Sherrill F. Norman, 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:

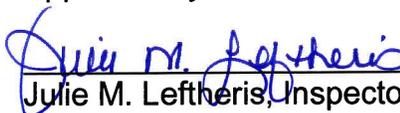

Julie M. Leftheris, Inspector General

EXHIBIT - Statutory Distributions

The amounts required by statute to be distributed to the various organizations as well as amounts reported by the Foundation and the organizations for the 2012, 2013, and 2014 Fiscal Years are included below.

March of Dimes (A)	Fiscal Year	Statutory Distribution	Reported by Foundation	Reported by March of Dimes	Under - Distributed
	2014	\$ 33,730.58	\$ 33,730.58	\$ 33,730.58	\$ 0.00
	2013	\$ 34,473.91	\$ 34,473.91	\$ 4,487.25	\$ 29,986.66
	2012	\$ 36,338.51	\$ 36,338.51	\$ 0.00	\$ 36,338.51
	Total				\$ 66,325.17

Florida Association of Healthy Start Coalitions, Inc. (B)	Fiscal Year	Statutory Distribution	Reported by Foundation	Reported by Association	Under - Distributed
	2014	\$ 13,492.23	\$ 13,492.23	\$ 13,492.23	\$ 0.00
	2013	\$ 13,789.56	\$ 13,789.56	\$ 9,337.35	\$ 4,452.21
	2012	\$ 14,535.41	\$ 14,535.41	\$ 0.00	\$ 14,535.41
	Total				\$ 18,987.62

Sickle Cell Disease Organizations (C)	Fiscal Year	Statutory Distribution	Reported by Foundation	Reported by SCD Organizations	Under - Distributed
	2014	\$ 33,730.58	\$ 33,730.58	\$ 33,730.58	\$ 0.00
	2013	\$ 34,473.92	\$ 34,473.92	\$ 22,125.34	\$ 12,348.58
	2012	\$ 36,338.51	\$ 36,338.51	\$ 0.00	\$ 36,338.51
	Total				\$ 48,687.09

Because the distribution is divided among 13 SCD organizations, the under-distributed three-year total of \$48,687.09 caused a shortfall of \$3,745.16 for each SCD organization.

Community Partnership for Homeless, Inc. (D)	Fiscal Year	Statutory Distribution	Reported by Foundation	Reported by Partnership	Under - Distributed
	2014	\$ 13,492.23	\$ 0.00	\$ 0.00	\$ 13,492.23
	2013	\$ 13,789.56	\$ 11,727.19	\$ 0.00	\$ 13,789.56
	2012	\$ 14,535.41	\$ 14,535.41	\$ 0.00	\$ 14,535.41
	Total				\$ 41,817.20

Notes:

A - Twenty-five percent of the proceeds of the annual use fees are required to be distributed to the Florida chapter of the March of Dimes for programs and services that improve the health of babies through the prevention of birth defects and infant mortality.

B - Ten percent of the proceeds of the annual use fees are required to be distributed to the Association to decrease racial disparity in infant mortality and to increase healthy birth outcomes. Funding will be used by local Healthy Start Coalitions to provide services and increase screening rates for high-risk pregnant women, children under 4 years of age, and women of childbearing age.

C - Twenty-five percent of the proceeds of the annual use fees are required to be distributed equally among the SCD organizations that are Florida members of the Sickle Cell Disease Association of America, Inc., for programs that provide research, care, and treatment for sickle cell disease.

D - Ten percent of the proceeds of the annual use fees are required to be distributed to the Partnership for programs that provide relief from poverty, hunger, and homelessness. (The Partnership's name was changed to "Chapman Partnership for the Homeless, Inc." in 2011).

ATTACHMENT - Management Response

July 22, 2015

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

Re: Report Number 201314-45 – Dream Foundation

Dear Mr. Ulewicz:

In response to the revised list of preliminary and tentative audit findings and recommendations per your July 15, 2015 email, I concur with your recommendations and in agreement with the planned corrective action(s).

My responses to the various findings are as follows:

FINDING 1

The Dream Foundation has implemented checks and balances and a quarterly distribution of these funds commencing July 1, 2015. The availability of funds will be verified twice by referencing the FLAIR report and the monthly bank statements prior to the distributions being dispersed. Unfortunately, some of the recipients do not have active telephone numbers and there are instances where the recipients' addresses are incorrect. We will strive to correct this by additional research and actively pursue a statutory change to the language of the distribution so the funds are distributed directly to the State of Florida Sickle Cell Association. This will help immensely because of their knowledge and continuous contact with the 13 members who directly benefit from the distribution of proceeds. The Dream Foundation will continue to distribute to those organizations to their last known addresses and follow up each time a check is returned. Contacting the state and national association for further information if necessary.

We have also instituted a check number reference for the distributions so each check has a corresponding number associated with the payment. This was unavailable before through the bank that was utilized. This provides a secondary reference to insure the organization received and deposited the funds. All transactions will also be recorded in a spreadsheet so easy reference to transactions can be made at any time.

As the DHSMV is aware, there was a time when there was a threat of action regarding the further use of the image on the license plate and the organizations were all contacted and issued with correspondence to provide a hold harmless and indemnification to the Dream Foundation for further distribution of the proceeds. No organization agreed to execute the document and at that time funds were withheld as well as checks were not cashed by organizations due to the potential threat of having to pay the funds back at a later date.

This issue has now been resolved and within the next 60 days, the application for a new design will be filed to dispose of any past or future liability to the recipient organizations. Therefore, the distribution of the past due funds will no longer be subject to a threat of having to be repaid.

The Dream Foundation has established a two year repayment plan to bring the past due distributions current. We will consult with the Division of Motorist Services to support this plan and immediately implement an acceptable plan regarding the restoration of funding to the various organizations.

FINDING 2

The distribution of administrative expenses is currently being made on a monthly basis, at the end of the month, instead of the beginning of the month, and is completely limited to allowable expenses as explained during the audit process. These funds are also verified by referencing the FLAIR report and the monthly bank statement. The Dream Foundation will monitor its level of administrative expenses throughout the fiscal year to ensure the annual statutory limit is not exceeded, including bank fees, etc.

All distributions of marketing and administrative expenses will be made with supporting documentation, including requisite contracts, detailed descriptions and invoices and supporting expense reports. These payments will be approved in compliance with the Dream Foundation's Bylaws and be subject to approval and review at regularly held board meetings in accordance with the Bylaws.

FINDING 3

With the implementation of the new record-keeping and distribution ledgers as referenced in Finding 1, the annual affidavits will be filed in a timely fashion, at the same time the tax returns will be due to be filed.

FINDING 4

As deposits are made and expenses incurred, each transaction will be entered into a master ledger and cross-referenced with the FLAIR report and bank statements. The Executive Director will be responsible for producing a monthly reconciliation of transactions to be submitted in a report to the Board. These reconciliations will be readily available for the Division to review to support the affidavits and to insure ongoing compliance with the statutory distributions.

FINDING 5

The current Board of Directors is meeting to implement a new form of checks and balances for the distribution of funds. The Executive Director will be responsible for maintaining records and distributing the funds in accordance with the Board's instructions and in compliance with the statutory requirements. No external access to the bank account records or distributions outside of the board members and the Executive Director will be allowed.

The Board is actively seeking a new member who has the necessary professional credentials who can further assist in insuring compliance with all applicable financial/accounting best practices.

I sincerely hope my responses and planned corrective action will be to your satisfaction and I appreciate all your suggestions and insight regarding moving forward. Please contact me if you have any questions.

Sincerely,

V. Bernard Jones

V Bernard Jones
President
The Dream Foundation