

## Specialty License Plate Audit In God We Trust Foundation, Inc. Audit Report 201213-30

August 13, 2013

### Executive Summary

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The purpose of this audit was to examine the In God We Trust Foundation, Inc. (IGWT) financial data associated with specialty license plate fees for compliance with applicable laws, policies, and regulations. The IGWT is required to submit a Specialty License Plate Revenue, Expenditure and Compliance Affidavit to the Department annually within nine months after the end of the IGWT fiscal year.

On March 13, 2012, the Department requested detailed information for the expenses outlined in the Specialty License Plate Revenue, Expenditure, and Compliance Affidavits for the 2007 through 2010 Fiscal Years. The requested information was not provided, and the Department suspended the distribution of In God We Trust specialty license plate fees to the IGWT, effective April 13, 2012.

On April 2, 2013, under the direction of a new Board of Directors, the IGWT contacted the Department requesting the suspension of funds be lifted.

For every In God We Trust license plate sold or renewed, a \$25 annual use fee is charged and distributed to the IGWT, a non-profit organization. From April 16, 2009 through April 13, 2012, the IGWT received \$543,148.00 in specialty license plate fees.

Section 320.08058(67)(b), Florida Statutes (F.S.), specifies the annual use fees shall be used to fund educational scholarships for the children of Florida residents who are members of the United States Armed Forces, the National Guard, and the United States Armed Forces Reserve and for the children of public safety employees who have died in the line of duty who are not covered by existing state law. Funds shall also be distributed to other Section 501(c)(3) organizations that may apply for grants and scholarships and to provide educational grants to public and private schools to promote the historical and religious significance of American and Florida history. The In God We Trust Foundation, Inc. shall distribute the license plate annual use fees in the following manner:

1. The In God We Trust Foundation, Inc. shall retain all revenues from the sale of such plates until all startup costs for developing and establishing the plate have been recovered.



2. Ten percent of the funds received by the In God We Trust Foundation, Inc., shall be expended for administrative costs, promotion, and marketing of the license plate directly associated with the operations of the In God We Trust Foundation, Inc.
3. All remaining funds shall be expended by the In God We Trust Foundation, Inc., for programs.

During our evaluation, we determined \$388,522.07 was used for purposes not authorized in Florida Statute, or did not have sufficient documentation to support the expenditure was authorized by Section 320.08058(67), F.S. We also determined the IGWT exceeded the allowable percentage of administrative, promotion, and marketing costs and engaged in related party transactions.

While the IGWT did not provide a response to each finding and disagreed with our audit findings and determination of unallowable expenditures, the IGWT did agree with our recommendation that IGWT ensure In God We Trust specialty license plate fees are used for allowable expenses as authorized in Sections 320.08056 and 320.08058(67), F.S.

## Background and Introduction

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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, Florida Statutes (F.S.), authorizes the issuance of all specialty license plates and specifies the annual use fee for each of 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 plates in its annual work plan.

The In God We Trust specialty license plate was approved by the legislature October 1, 2008. For every In God We Trust license plate sold or renewed, a \$25 annual use fee is charged and distributed to the In God We Trust Foundation, Inc. (IGWT), a non-profit organization. From April 16, 2009 through April 13, 2012, the IGWT received \$543,148.00 in specialty license plate fees.

Section 320.08058(67)(b), F.S., specifies the annual use fees shall be used to fund educational scholarships for the children of Florida residents who are members of the United States Armed Forces, the National Guard, and the United States Armed Forces Reserve and for the children of public safety employees who have died in the line of duty who are not covered by existing state law. Funds shall also be distributed to other Section 501(c)(3) organizations that may apply for grants and scholarships and to provide educational grants to public and private schools to promote the historical and religious significance of American and Florida history. The In God We Trust Foundation, Inc. shall distribute the license plate annual use fees in the following manner:

1. The In God We Trust Foundation, Inc. shall retain all revenues from the sale of such plates until all startup costs for developing and establishing the plate have been recovered.
2. Ten percent of the funds received by the In God We Trust Foundation, Inc., shall be expended for administrative costs, promotion, and marketing of the license plate directly associated with the operations of the In God We Trust Foundation, Inc.
3. All remaining funds shall be expended by the In God We Trust Foundation, Inc., for programs.



The IGWT is required to submit a Specialty License Plate Revenue, Expenditure and Compliance Affidavit to the Department annually within nine months after the end of the IGWT fiscal year. On March 13, 2012, the Department requested detailed information for the expenses outlined in the Specialty License Plate Revenue, Expenditure, and Compliance Affidavits for the 2007 through 2010 Fiscal Years. The requested information was not provided, and the Division of Motorist Services suspended the distribution of In God We Trust specialty license plate fees to the IGWT, effective April 13, 2012.

On April 2, 2013, under the direction of a new Board of Directors, the IGWT requested the Division of Motorist Services lift the suspension of funds. The IGWT submitted documentation to the Department for \$473,448.79 in specialty license plate fee expenditures incurred from 2007 through 2013.

During our evaluation, we identified the following issues involving compliance with Section 320.08058(67), F.S. that require management attention and determined \$388,522.07 of the expenditures, as shown on Exhibit 1, did not have sufficient documentation to support the expenditure or were used for purposes not authorized in Section 320.08058 (67), F.S.

## Findings and Recommendations

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### *Unallowable Program Expenditures*

Section 320.08058(67)(b), F.S., states: The license plate annual use fees shall be distributed to the In God We Trust Foundation, Inc., to fund educational scholarships for the children of Florida residents who are members of the United States Armed Forces, the National Guard, and the United States Armed Forces Reserve and for the children of public safety employees who have died in the line of duty who are not covered by existing state law.

Section 320.08058(67)(b), F.S., also states: Funds shall also be distributed to other Section 501(c)(3) organizations that may apply for grants and scholarships and to provide educational grants to public and private schools to promote the historical and religious significance of American and Florida history.

During 2009, the IGWT had \$403.00 in expenditures to the Homes for Our Troops organization, and \$500.00 in expenditures to the Operation Safety 91 organization.

During 2010, the IGWT had \$5,000.00 in expenditures related to the remodeling of a bathroom for a wounded police officer.

During 2012, the IGWT had \$4,000.00 in expenditures to the Windermere Police Department which were used to upgrade technology equipment, \$503.70 in expenditures to pay for the airfare of a veteran, and \$10,000.00 in expenditures to the Northwest Florida Concerns of Police Survivors (COPS) organization, used for a Christmas party, a summer event, and a program for parents. The IGWT also had \$10,000.00 in expenditures to the South Florida COPS, \$10,000.00 in expenditures to the Northeast Florida COPS, and \$10,000.00 in expenditures to the Central Florida COPS organizations, but was unable to provide documentation of how the funds were used by the organizations.

During 2013, the IGWT had \$6,000.00 in expenditures to the Windermere Police Department, which were again used to upgrade technology equipment.

Although the IGWT was able to provide supporting documentation for the expenditures and the Section 501(c)(3) organizations confirmed receipt of the funds, the expenditures did not meet the requirements of Section 320.08058(67)(b), F.S.

The expenditures were not for educational scholarships for the children of Florida residents who are members of the United States Armed Forces, the National Guard, and the United States Armed Forces Reserve or for the children of public safety employees who have died in the line of duty and are not covered by existing state law. Also, the Section 501(c)(3) organizations that received the specialty license plate funds did not apply for grants and scholarships. Furthermore, the funds were not used to provide educational grants to public and private schools to promote the historical and religious significance of American and Florida history.

## **Finding 1**

The IGWT used specialty license plate fees for unallowable program services that did not comply with Section 320.08058(67), F.S.

## **Recommendation**

We recommend the IGWT ensure In God We Trust specialty license plate fees are used for allowable expenses as authorized in Sections 320.08056 and 320.08058(67), F.S.

## Management Response

The response IGWT provided did not directly address the specialty license plate fees used for unallowable program services and disagreed with our audit findings and determination of unallowable expenditures. However, the IGWT agreed with our recommendation that they ensure In God We Trust specialty license plate fees are used as authorized in Sections 320.08056 and 320.08058(67), F.S.

### *Unallowable Startup and Establishment Costs*

Section 320.08058(67)(b)(1), F.S., states: The In God We Trust Foundation, Inc., shall retain all revenues from the sale of such plates until all startup costs for developing and establishing the plate have been recovered.

The Instructions for the Expenditure of Specialty License Plate Fees, provided on the Department's website as guidance for specialty license plate fee recipient organizations, defines startup costs as expenses incurred to establish the specialty license plate. These expenses are permissible only if specifically authorized by Section 320.08058 or 320.08068, F.S., and can be incurred up until the time an organization's license plate is approved by the Legislature.

[IRS publication 583, \*Starting a Business and Keeping Records\*](#), states that business startup costs are the expenses incurred before you actually begin business operations.

The IGWT had \$88,078.50<sup>1</sup> in startup establishment costs for services from October 6, 2009, through December 1, 2009; more than six months after the first In God We Trust specialty license plate was sold on March 31, 2009.

While Section 320.08058(67)(b)(1), F.S., allows the IGWT to retain all revenues until all startup costs for developing and establishing the plate have been recovered; the expenses occurred more than six months after the first In God We Trust specialty license plate was sold and would not meet the definition of startup costs.

## Finding 2

The IGWT did not use specialty license plate fees for allowable expenses as authorized in Sections 320.08056 and 320.08058(67), F.S.

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<sup>1</sup> Includes \$87,866.00 in expenditures also included in finding No.4.

## Recommendation

We recommend the IGWT ensure In God We Trust specialty license plate fees are used for allowable expenses as authorized in Sections 320.08056 and 320.08058(67), F.S.

## Management Response

The response IGWT provided did not directly address the specialty license plate fees used for unallowable startup and establishment expenses and disagreed with our audit findings and determination of unallowable expenditures. However, the IGWT agreed with our recommendation that they ensure In God We Trust specialty license plate fees are used as authorized in Sections 320.08056 and 320.08058(67), F.S.

## *Unallowable Audit Costs*

Section 320.08056(10), F.S., states: A specialty license plate annual use fee collected and distributed under this chapter, or any interest earned from those fees, may not be used for commercial or for-profit activities nor for general or administrative expenses, except as authorized by Section 320.08058 or to pay the cost of the audit or report required by Section 320.08062(1), F.S.

Section 320.08062(1)(a), F.S., states: All organizations that receive annual use fee proceeds from the Department are responsible for ensuring that proceeds are used in accordance with ss. 320.08056 and 320.08058.

Section 320.08062(1)(b), F.S. states: Any organization not subject to audit pursuant to s. 215.97 shall annually attest, under penalties of perjury, that such proceeds were used in compliance with ss. 320.08056 and 320.08058. The attestation shall be made annually in a form and format determined by the Department.

During the 2012 Fiscal Year, the IGWT had expenditures of \$1,425.00 to Benjamin Moore for audit services. Although the IGWT was able to provide invoices as supporting documentation, the invoices provided did not include audit services as services rendered. The invoices listed the following as services rendered:

- Preparation of 2009 and 2010 amended return of organization exempt from income tax (form 990EZ)
- Preparation of 2007 and 2008 US amended corporation income tax returns (form 1120x)
- Preparation of 2011 Return of organization exempt from income tax (form 990)

The IGWT was unable to provide support that the \$1,425.00 paid to Benjamin Moore was for services related to the cost of an audit or report required by Section 320.08062(1), F.S., and appear to be general administrative costs.

### **Finding 3**

The IGWT used specialty license plate fees for unallowable accounting services that did not comply with Section 320.08056(10), F.S.

### **Recommendation**

We recommend the IGWT ensure In God We Trust specialty license plate fees are used for allowable expenses as authorized in Sections 320.08056 and 320.08058(67), F.S.

### **Management Response**

The response IGWT provided did not directly address the specialty license plate fees used for unallowable accounting services and disagreed with our audit findings and determination of unallowable expenditures. However, the IGWT agreed with our recommendation that they ensure In God We Trust specialty license plate fees are used as authorized in Sections 320.08056 and 320.08058(67), F.S.

### ***Insufficient Documentation***

The Instructions for the Expenditure of Specialty License Plate Fees, provided on the Department's website as guidance for specialty license plate fee recipient organizations, defines disallowed expenses as: any expenditure of specialty license plate fees that does not comply with Florida Statutes; and any expenditure, whether authorized or not, that cannot be substantiated with a detailed employee time sheet, or a receipt and cancelled check.

[IRS publication 583, \*Starting a Business and Keeping Records\*](#), explains supporting documents include sales slips, paid bills, invoices, receipts, deposit slips, and canceled checks. The publication explains it is important to keep these documents because they support the entries in books.

The IRS Compliance Guide for 501(c)(3) charities also describes supporting documents as grant applications and awards, sales slips, paid bills, invoices, receipts, deposit slips, and canceled checks, and includes the importance for keeping such documents for expenses to support entries in books.

IGWT was unable to provide sufficient support documentation to clearly explain how 48 expenditures, totaling \$325,801.52 met the requirements of Section 320.08058(67), F.S.

Although IGWT was able to provide canceled checks for the expenditures, they were unable to provide invoices, receipts, paid bills, written agreements, or any other documentation to support the expenditures were an allowable use of the IGWT specialty license plate fees as defined in Section 320.08058(67), F.S.

#### **Finding 4**

The IGWT did not maintain supporting documentation for expenditures made with In God We Trust specialty license plate fees.

#### **Recommendation**

We recommend the IGWT maintain detailed supporting documentation; including invoices, receipts, canceled checks, paid bills, and contracts and agreements, for all expenditures made with In God We Trust specialty license plate fees.

#### **Management Response**

The response IGWT provided did not directly address the specialty license plate fees not supported with sufficient documentation and disagreed with our audit findings and determination of unallowable expenditures. However, the IGWT agreed with our recommendation that they ensure In God We Trust specialty license plate fees are used as authorized in Sections 320.08056 and 320.08058(67), F.S

#### ***Unallowable Administrative Costs<sup>2</sup>***

Section 320.08058(67)(b)(2), F.S., states: Ten percent of the funds received by the In God We Trust Foundation, Inc., shall be expended for administrative costs, promotion, and marketing of the license plate directly associated with the operations of the IGWT.

The IGWT claimed expenditures totaling \$382,241.30 were spent from 2007 through 2013 as authorized by Section 320.08058(67), F.S., including \$54,314.82 administrative, promotional, and marketing expenditures. These expenditures were included in a Summary of Plate Revenue and Allowable Expenditures worksheet IGWT submitted, in addition to other supporting worksheets and transaction documentation for the expenditures.

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<sup>2</sup> Expenditures that exceeded annual administrative percentage may be included in other findings.



Our review determined the supporting worksheets and transaction documentation the IGWT provided for administrative, promotional, and marketing expenditures actually listed \$145,522.31 in expenditures from 2008 through 2013.

The IGWT recorded administrative, promotional, and marketing expenses for 2008 and the first three months of 2009, totaling \$5,426.85, even though IGWT had not yet begun to receive revenue from specialty license plate fees.

During 2011, the IGWT received \$210,248.80 in specialty license plate fees, and listed administrative, promotional, and marketing expenses of \$119,444.31; \$98,419.43 over the statutory allowed amount.

During 2012, the IGWT received \$62,650.00 in specialty license plate fees, and listed administrative, promotional, and marketing expenses of \$12,950.95; \$6,685.95 over the statutory allowed amount.

**Finding 5**

During 2008 and 2009, the IGWT used specialty license plate fees for administrative, promotional, and marketing costs incurred prior to the sale of the In God We Trust specialty license plate.

During 2011 and 2012, the IGWT exceeded the percentage of specialty license plate fees allowable for administrative, promotion, and marketing costs.

**Recommendation**

We recommend the IGWT ensure only up to 10 percent of specialty license plate fees received by the IGWT are used for administrative, promotion, and marketing costs as authorized in Sections 320.08056 and 320.08058(67)(2)(b), F.S.

**Management Response**

The response IGWT provided did not directly address that the IGWT exceeded the allowable percentage of administrative, promotion and marketing costs. However, the IGWT agreed with our recommendation that they ensure In God We Trust specialty license plate fees are used as authorized in Sections 320.08056 and 320.08058(67), F.S.

### ***Related Party Transactions***

IRS form 1023 Appendix A: Sample Conflict of Interest Policy is intended to provide an example of a conflict of interest policy for 501(c)(3) organizations. The purpose of having a conflict of interest policy is to protect the organization's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the organization or might result in a possible excess benefit transaction.

The IGWT listed \$87,866<sup>3</sup> in startup and establishment expenditures to TSP Marketing during 2009. IGWT also listed \$108,480<sup>4</sup> in administrative, promotional, and marketing expenditures to TSP Marketing during 2011 and 2012.

TSP Marketing's president at the time of the expenditures was the son of a registered agent for IGWT and the step son of IGWT's president.

Furthermore, IGWT was unable to provide a contract for services, detailed invoices, or receipts for expenditure to TSP Marketing to indicate the expenditures to TSP Marketing were for activities to accomplish the purpose of the In God We Trust specialty license plate.

While related party transactions are not specifically prohibited by Florida Statute, they do create a conflict of interest and create the appearance of impropriety.

### **Finding 6**

The IGWT engaged in related party transactions.

### **Recommendation**

We recommend the IGWT discontinue the practice of entering into a transaction or arrangement that might benefit the private interest of an officer or director of the organization or might result in a possible excess benefit transaction.

### **Management Response**

The response IGWT provided did not directly address that the IGWT engaged in related party transactions. However, the IGWT agreed with our recommendation that they ensure In God We Trust specialty license plate fees are used as authorized in Sections 320.08056 and 320.08058(67), F.S.

<sup>3</sup> The expenditures are also included in the total for Finding No. 4.

<sup>4</sup> The expenditures are also included in the total for Finding No. 4.

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

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The purpose of this audit was to determine In God We Trust Foundation, Inc.'s compliance with Florida Statutes and organizational and Department policies and procedures.

The scope of this audit includes all revenues and expenditures reported by the In God We Trust Foundation, Inc., from January 1, 2007 through January 20, 2013.

The methodology included:

- Reconciling distribution of annual use fees from April 16, 2009 through May 1, 2012 to fees reported received by the IGWT;
- Reviewing the IGWT policy and procedure for using specialty license plate fees; including the new In God We Trust Foundation, Inc. Allocation of Proceeds Policy #13-10;
- Tracing expenditures reported by IGWT to supporting documentation; and
- Examining the IGWT documentation for compliance with Sections 320.08056 and 320.08058(67), F.S.



## Distribution, Statement of Accordance, and Project Team

### Distribution

Julie L. Jones, Executive Director  
Martin Boire, President of In God We Trust Foundation, Inc.

Copies distributed to:

Diana Vaughn, Deputy Executive Director  
Terry Rhodes, Chief of Staff  
Boyd Walden, Director of Motorist Services  
Steven Fielder, Deputy Director of Motorist Services  
Julie Baker, Bureau Chief of Issuance Oversight  
Major Ryan Burchnell, Bureau of Criminal Investigations and Intelligence

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 *The International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and Principles and Standards for Inspectors General published by the Association of Inspectors General.

### Project Team

Engagement conducted by:  
Erin Mook, Auditor

Under the supervision of:  
David Ulewicz, Audit Director

Approved by:

  
Julie M. Leftheris, Inspector General

## EXHIBIT 1 – Summary of Plate Revenue and Expenditures

Summary of Plate Revenue and Expenditures 2007 through 2013			
		IGWT Claimed Expenditures	Determined Unallowable or Insufficiently Documented
	Revenue Received	\$ 543,148.00	
1	Program Services		
	501(c)(3)	\$ 300.00	\$ 300.00
	Military	\$ 403.00	\$ 403.00
	Veterans	\$ 1,003.70	\$ 1,003.70
	Police	\$ 66,100.00	\$ 66,100.00
	Fire	\$ 2,200.00	\$ 2,200.00
	Education	\$ 14,270.20	\$ 14,270.20
2	Plate Startup: Development	\$ 149,146.08	\$ 78,822.60
3	Plate Startup: Establishment	\$ 88,078.50	\$ 88,078.50
4	Audit Costs	\$ 6,425.00	\$ 6,425.00
5	Plate Revenue to Admin-Promo-Marketing	\$ 54,314.82*	\$ 130,919.07
	Total Expenditures	\$ 382,241.30	
	Total Disallowed Expenditures		\$ 388,522.07
	Revenue not claimed as an expenditure		\$ 69,699.21

\*Supporting worksheets and transaction documentation the IGWT provided actually listed \$145,522.31 for administrative, promotional and marketing expenditures.

## ATTACHMENT - Management Response



PO Box 8  
Daytona Beach, FL 32115-0008  
386-677-6864

July 23, 2013

Erin Mook, Auditor, Office of Inspector General  
Division of Motorist Services  
Florida Department Highway Safety and Motor Vehicles  
2900 Appalachian Parkway  
Tallahassee, FL 32399

*Re: Audit of In God We Trust specialty license plate*

Dear Ms. Mook,

Thank you for your efforts in this matter.

This letter follows our June 16<sup>th</sup> pre-exit phone conference. Further, we are in receipt of the following two documents from you:

- IGWT Overview of Supporting Documents and Use of Fees-7-17-2013
- IGWT Draft Preliminary and Tentative Findings-7-17-2013

As you know In God We Trust Foundation, Inc. is under new management, and the new management was not involved with or related by blood, marriage or business to any pre-turnover person, vendor or payee of the charity in its pre-turnover dealings. It is a clean break.

The entity is the same entity as originally named in the plate statute. The new Board has assured the entity's continued legal status both with the Division of Corporations and the Internal Revenue Service.

While your and our audit findings and allowed/disallowed expenditures differ and we reserve all of our rights, new management fully agrees with your recommendation that henceforth the charity be operated in conformity with the statute.

You have recommended the IGWT Foundation ensure that future In God We Trust specialty license plate fees are used for allowable expenses as authorized in Sections 320.08056, and 320.08058(67), F.S. The new Board of Directors has earlier taken steps to implement this, and every action of the new Board since assuming control has demonstrated compliance. The new Board members are well experienced in both charity operations and the business world. The new Board has rehabilitated the charity at both the policy and operational levels. A battery of corporate actions and policies have been adopted to assure proper performance and compliance, and more are being developed.

The new Board is glad to have been able to rehabilitate the charity, redress the applicable matters, and looks forward to doing the good works the plate was intended to do when it was created.

Thank you.

In God We Trust Foundation, Inc.

By:   
Martin C Boire as President