

**Specialty License Plate Audit**  
**The Astronauts Memorial Foundation, Inc.**  
**and the Technological Research and**  
**Development Authority**  
Audit Report 201213-25

August 23, 2013

## Executive Summary

---

The purpose of this audit was to determine the Astronauts Memorial Foundation, Inc. (AMF) and the Technological Research and Development Authority's (TRDA) compliance with Florida Statutes and organizational and Department policies and procedures associated with Challenger/Columbia specialty license plate fees.

The AMF and TRDA are required to submit an audit report or a Specialty License Plate Revenue, Expenditure and Compliance Affidavit to the Department annually within nine months after the end of their fiscal year. The most recent audit the TRDA submitted, for the 2011-12 Fiscal Year ended September 30, 2012, was used for this audit. The most recent affidavit the AMF submitted, for the 2011-12 Fiscal Year ended June 30, 2012, was used for this audit.

For every Challenger/Columbia specialty license plate sold or renewed, a \$25 annual use fee is charged and distributed as follows: 50 percent to the AMF and 50 percent to the TRDA. For the 2011-12 Fiscal Year ended September 30, 2012, the TRDA received \$299,055 in specialty license plate fees. For the 2011-12 Fiscal Year ended June 30, 2012, the AMF received \$306,207 in specialty license plate fees.

Section 320.08058(2)(b), Florida Statutes (F.S.), specifies that 50 percent of the Challenger/Columbia plate annual use fee must be distributed to the Astronauts Memorial Foundation, Inc., to support the operations of the Center for Space Education and the Education Technology Institute. Funds received by the Astronauts Memorial Foundation, Inc., may be used for administrative costs directly associated with the operation of the center and the institute. These funds must be used for the maintenance and support of the operations of the Center for Space Education and the Education Technology Institute operated by the Astronauts Memorial Foundation, Inc. These operations must include pre-service and in-service training in the use of technology for the state's instructional personnel in a manner consistent with state training programs and approved by the Department of Education. Up to 20 percent of funds received by the Center for Space Education and the Education Technology Institute may be expended for administrative costs directly associated with the operation of the center and the institute.

Section 320.08058(2)(c), F.S., specifies that 50 percent of the Challenger/Columbia license plate annual use fee must be distributed to the Technological Research and Development Authority for the purpose of funding space-related research grants, the Teacher/Quest Scholarship Program, and space-related economic development programs. The Technological Research and Development Authority shall coordinate and distribute available resources among state universities and independent colleges and universities based on the research strengths of such institutions in space science technology, community colleges, public school districts, and not-for-profit educational organizations.

Section 320.08058(2)(d), F.S., specifies up to 10 percent of the funds distributed under paragraphs (b) and (c) may be used for continuing promotion and marketing of the license plate.

Section 320.08058(2), F.S., was amended with the approval of Senate Bill 954 on June 28, 2013, to remove all references of the TRDA effective September 30, 2013. Once effective, all references to the TRDA will be removed and the TRDA shall no longer receive user fees from the sale of Challenger/Columbia specialty license plates.

During our evaluation, we determined the TRDA did not coordinate and distribute specialty license plate resources to state universities and independent colleges and universities, community colleges, public school districts, and not-for-profit educational organizations as required by Section 320.08058(2)(c), F.S. We also determined TRDA used Challenger/Columbia specialty license plate fees for unallowable administrative expenses.

TRDA's response did not directly address that specialty license plate fees were not coordinated or distributed to state universities or independent colleges and universities, community colleges, public school districts, and not-for-profit educational organizations as required by Section 320.08058(2)(c) F.S. Additionally, TRDA did not directly address that specialty license plate fees were used for unallowable administrative expenses.

During our evaluation, we determined the AMF used specialty license plate fees for unallowable educational consulting expenses.



The AMF did not agree with our finding that specialty license plate fees were used for unallowable expenditures; however, the AMF did state that a co-mingled account was used and included specialty license plate funds. The AMF also stated the educational consulting services were listed in the department code used for education programs in the chart of accounts. Furthermore, the AMF has or plans to implement the following corrective actions:

- The AMF has opened a separate bank account for Challenger/Columbia specialty license plate funds;
- Payments from the account will be restricted to expenses directly qualifying as allowable expenses authorized in Sections 320.08056 and 320.08058(2), F.S.; and
- The AMF has created a new department code for government consulting to eliminate any confusion in the accounting categories.

## 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 fees 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 annual use fees. The Office of Inspector General included the examination of specialty license plates in its annual work plan.

The Challenger/Columbia specialty license plate was enacted in 1987. For every Challenger/Columbia specialty license plate sold or renewed, a \$25 annual use fee is charged and distributed as follows:

Section 320.08058(2)(b), F.S., specifies that 50 percent of the Challenger/Columbia plate annual use fee must be distributed to the Astronauts Memorial Foundation, Inc., to support the operations of the Center for Space Education and the Education Technology Institute. Funds received by the Astronauts Memorial Foundation, Inc., may be used for administrative costs directly associated with the operation of the center and the institute. These funds must be used for the maintenance and support of the operations of the Center for Space Education and the Education Technology Institute operated by the Astronauts Memorial Foundation, Inc. These operations must include pre-service and in-service training in the use of technology for the state's instructional personnel in a manner consistent with state training programs and approved by the Department of Education. Up to 20 percent of funds received by the Center for Space Education and the Education Technology Institute may be expended for administrative costs directly associated with the operation of the center and the institute.

Section 320.08058(2)(c), F.S., specifies that 50 percent of the Challenger/Columbia license plate annual use fee must be distributed to the Technological Research and Development Authority for the purpose of funding space-related research grants, the Teacher/Quest Scholarship Program, and space-related economic development programs. The Technological Research and Development Authority shall coordinate and distribute available resources among state universities and independent colleges and universities based on the research strengths of such institutions in space science technology, community colleges, public school districts, and not-for-profit educational organizations.

Section 320.08058(2)(d), F.S., specifies up to 10 percent of the funds distributed under paragraphs (b) and (c) may be used for continuing promotion and marketing of the license plate.

Section 320.08058(2), F.S., was amended with the approval of Senate Bill 954 on June 28, 2013, to remove all references of the TRDA effective September 30, 2013. Once effective all references to the TRDA will be removed and the TRDA shall no longer receive user fees from the sale of Challenger/Columbia specialty license plates.

The TRDA is a technology-based economic development organization focused on the incubation of new business ventures, the acceleration of growth of existing firms, and the commercialization of innovative technologies.

The mission of the AMF is to honor and memorialize astronauts who sacrificed their lives for the nation and the space program by sponsoring the national Space Mirror Memorial and by implementing innovative educational technology programs.

The most recent audit the TRDA submitted, for the 2011-12 Fiscal Year ended September 30, 2012, was used for this audit. During the 2011-12 Fiscal Year, the TRDA received \$299,055 in specialty license plate fees.

The most recent affidavit the AMF submitted, for the 2011-12 Fiscal Year ended June 30, 2012, was used for this audit. During the 2011-12 Fiscal Year, the AMF received \$306,207 in specialty license plate fees.

During our evaluation, we identified the following issues involving compliance with Section 320.08058(2), F.S., that require management attention.

## Findings and Recommendations

---

### Technological Research and Development Authority

#### *Unauthorized Use of Fees*

Section 320.08058(2)(c) F.S., states 50 percent must be distributed to the TRDA for the purpose of funding space-related research grants, the Teacher/Quest Scholarship Program, and space-related economic development programs. The TRDA shall coordinate and distribute available resources among state universities and independent colleges and universities based on the research strengths of such institutions in space science technology, community colleges, public school districts, and not-for-profit educational organizations.

After reviewing the detailed general ledger for the Incubator Program and Teacher Quest Scholarship program, it was unclear how TRDA was coordinating and distributing available resources among state universities and independent colleges and universities, community colleges, public school districts, and not-for-profit educational organizations as required by Section 320.08058(2)(c) F.S.

In email correspondence on April 8, 2013, TRDA explained specialty license plate revenue is allocated by journal entry to the Incubator Program and to their Administrative Program. TRDA staff also stated no specialty plate resources were distributed to state universities or independent colleges and universities in the 2011-12 Fiscal Year.

During the 2011-12 Fiscal Year, TRDA allocated \$236,174.10 of specialty license plate fees to the Incubator Program. During a phone conference on March 25, 2013, TRDA staff explained the Incubator Program's purpose is to provide mentoring, general market research, general business planning, and customized business services based on specific needs of the client, to tech-based startup companies. The Incubator Program is two parts: physical and virtual. Tech-based startup companies are accepted as tenants to the physical building, while virtual clients receive services but not a home. As of March 15, 2013, TRDA ended the Incubator Program.

After reviewing a list of Incubator Program affiliates and tenants, it was unclear how any of the companies related to state universities and independent colleges and universities, community colleges, public school districts, and not-for-profit educational organizations.

Because the TRDA did not coordinate and distribute specialty license plate funds as required, TRDA is not in compliance with Section 320.08058(2)(c), F.S.

### **Finding 1**

The TRDA did not coordinate and distribute specialty license plate resources to state universities or independent colleges and universities based on the research strengths of such institutions in space technology, community colleges, public school districts and not-for-profit educational organizations as required by Section 320.08058(2)(c) F.S.

### **Recommendation**

We recommend the TRDA ensure Challenger/Columbia specialty license plate fees are coordinated and distributed to state universities or independent colleges and universities based on the research strengths of such institutions in space technology, community colleges, public school districts, and not-for-profit educational organizations as required by Section 320.08058(2)(c) F.S.

## Management Response

The response TRDA provided did not directly address that specialty license plate fees were not coordinated or distributed to state universities or independent colleges and universities based on the research strengths of such institutions in space technology, community colleges, public school districts, and not-for-profit educational organizations as required by Section 320.08058(2)(c) F.S.

### *Unauthorized Use of Fees for Administrative Expenses*

Section 320.08056(10), F.S., states that specialty license plate annual use fees or any interest earned from those fees may not be used for general or administrative expenses, except as authorized by Section 320.08058, F.S.

Section 320.08058(2)(c), F.S., does not specifically authorize TRDA to use specialty license plate annual use fees for administrative expenses.

Although Section 320.08058(2)(d) F.S., states up to 10 percent of the funds distributed may be used for continuing promotion and marketing of the license plate, it does not specifically authorize TRDA to use specialty license plate annual use fees for general or administrative expenses.

During the 2011-12 Fiscal Year, TRDA allocated \$60,000 of specialty license plate annual use fees to their Administrative fund. These expenses were listed as Government Relations expenses and paid to a registered lobbying firm. The Agreement for Representation includes the following items as part of the scope of the engagement:

- Develop and implement strategies for TRDA inclusion in state agency and gubernatorial budgets;
- Develop and implement strategies to increase state funding for TRDA programs through appropriations;
- Draft budget language, legislation, appropriations requests, and amendments; and
- Lobby for the TRDA's position on legislation, appropriations, and matters of interest.

The expenditures appear to be unallowable administrative expenses, and the Agreement for Representation did not clearly demonstrate how the expenditures met the Challenger/Columbia specialty license plate purpose of funding space-related research grants, the Teacher/Quest Scholarship Program, and space-related economic development programs.

## Finding 2

The TRDA used Challenger/Columbia specialty license plate fees for unallowable administrative expenses that did not meet the Challenger/Columbia specialty license plate purpose of funding space-related research grants, the Teacher/Quest Scholarship Program, and space-related economic development programs.

## Recommendation

We recommend the TRDA ensure Challenger/Columbia specialty license plate fees are used for allowable expenses as authorized in Sections 320.08056, and 320.08058(2)(c), F.S.

## Management Response

The response TRDA provided did not directly address the specialty license plate fees used for unallowable administrative expenses.

## Astronauts Memorial Foundation

### *Unauthorized Use of Fees for Education Expenses*

Section 320.08058(2)(b), F.S., states Challenger/Columbia specialty license plate fees must be used for the maintenance and support of the operations of the Center for Space Education and the Education Technology Institute. These operations must include pre-service and in-service training in the use of technology for the state's instructional personnel in a manner consistent with state training programs and approved by the Department of Education. Up to 20 percent of funds received by the Center for Space Education and the Education Technology Institute may be expended for administrative costs directly associated with the operation of the center and the institute.

Section 320.08056(11) F.S., states that specialty license plate annual use fees may not be used for the purpose of marketing to, or lobbying, entertaining, or rewarding an employee of a governmental agency that is responsible for the sale and distribution of specialty license plates.

Effective January 1, 2013, Section 320.08056(11) F.S., further states that specialty license plate annual use fees may not be used for marketing to, or lobbying, entertaining, or rewarding an elected member or employee of the Legislature.

During the 2011-12 Fiscal Year, the AMF had educational expenditures of \$30,000 to a registered lobbying firm for educational consulting services. Although the AMF was able to provide invoices for the expenditures, the invoices only identified the expenditures for services rendered and did not contain any information about the type of educational services provided. Additionally, the AMF stated they did not have a written agreement and they verbally retained month-to-month government consulting services. The AMF specified these services included monitoring and tracking issues relating to education in the state, federal and local governments, and facilitating partnerships and ventures in public and private schools, universities and colleges.

Since a contract or invoices clearly demonstrating the purpose of the expenditures was not available, it is unclear how these expenditures met the Challenger/Columbia specialty license plate purpose of supporting the operations of the Center for Space Education and the Education Technology Institute.

### **Finding 1**

The AMF used specialty license plate fees for unallowable educational consulting services that did not meet the purpose of supporting the operations of the Center for Space Education and the Education Technology Institute.

### **Recommendation**

We recommend the AMF ensure Challenger/Columbia specialty license plate fees are used for allowable expenses as authorized in Sections 320.08056 and 320.08058(2), F.S.

### **Management Response**

The AMF did not agree with our finding that specialty license plate fees were used for unallowable expenditures; however, the AMF did state that a co-mingled account was utilized and included specialty license plate funds. AMF also stated the educational consulting services were listed in the department code used for education programs in the chart of accounts. Furthermore, the AMF has or plans to implement the following corrective actions:

- The AMF has opened a separate bank account for Challenger/Columbia specialty license plate funds;
- Payments from the account will be restricted to expenses directly qualifying as allowable expenses authorized in Sections 320.08056 and 320.08058(2), F.S.; and
- The AMF has created a new Department Code for Government Consulting to eliminate any confusion in the accounting categories.

## Purpose, Scope, and Methodology

---

The purpose of this audit was to determine the TRDA and AMF's compliance with Florida Statutes and organizational and Department policies and procedure.

The scope of this audit included revenues and expenditures reported in the TRDA License Plate Program Schedule of Revenues and Expenditures for the 2011-12 Fiscal Year, ended September 30, 2012, and the AMF License Plate Program Schedule of Revenues and Expenditures for the 2011-12 Fiscal Year, ended June 30, 2012.

The methodology included:

- Reviewing Florida Statutes and Department policies and procedures related to specialty license plate fees;
- Reconciling the Department distribution of annual use fees to the fees reported by the TRDA and AMF;
- Reconciling the Department distribution of annual use fees to receipts recorded in the TRDA and AMF financial records;
- Reconciling revenue reported in the TRDA and AMF License Plate Program Schedule of Revenues and Expenditures to the TRDA and AMF financial records;
- Reconciling the expenditures reported in the TRDA and AMF License Plate Program Schedule of Revenues and Expenditures to the TRDA and AMF financial records;
- Tracing expenditures reported in the TRDA and AMF License Plate Program Schedule of Revenues and Expenditures to supporting documentation; and
- Examining the TRDA and AMF documentation for compliance with Section 320.08058(3)(b), F.S.



## Distribution, Statement of Accordance, and Project Team

### Distribution

Julie L. Jones, Executive Director  
Chester Straub, TRDA Executive Director  
Heidi Chillemi, AMF Controller

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  
Vicki Porter, TRDA Controller

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

### Statement of Accordance

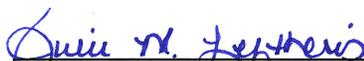
Section 20.055, Florida Statutes, requires the Florida Department of Highway Safety and Motor Vehicles' Inspector General to review, evaluate, and report on policies, plans, procedures, accounting, financial, and other operations of the Department and to recommend improvements. This audit engagement 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

## ATTACHMENT 1- TRDA Management Response

### TECHNOLOGICAL RESEARCH AND DEVELOPMENT AUTHORITY

#### Response to Florida Department of Highway Safety and Motor Vehicles Preliminary Findings

From: TECHNOLOGICAL RESEARCH AND DEVELOPMENT AUTHORITY  
(hereafter "TRDA")

Date: June 7, 2013

Re: Challenger License Plate Fees pursuant to Section 320.08058 (2) (c) Florida Statutes

This response is intended to rebut the preliminary findings of the Florida Department of Highway Safety and Motor Vehicles (hereafter "Department"). TRDA's preliminary findings are as follows:

1. Since 1988, TRDA has received annually Challenger License Plate Fees pursuant to Section 320.08058 (2) (c) Florida Statutes.
2. Each year from 1988 until 2012, TRDA has filed with the Department audited financial statements citing the receipt and use of all funds distributed by the Department.
3. From 1988 until 2012, the Department has never raised an issue, questioned use of funds or requested an audit of any of TRDA's financial statements.
4. The first Department audit request arose on March 8, 2013, concurrent with TRDA specific bills introduced in both houses of the Florida Legislature which would dissolve TRDA in accordance with TRDA's voluntary request.
5. TRDA was given no notice, nor an opportunity to participate in proceedings of the Department and the Office of Inspector General, said proceedings resulting in the Department's unilateral and premature termination of TRDA's receipt of Challenger License Tag fees.
6. TRDA discovered the Department's unilateral action by checking its own bank records and immediately filed with the Department a response objecting to the Department's unilateral act with no given opportunity to be heard; said letter-response is dated May 8, 2013.

7. On May 14, 2013, the Department by letter provided TRDA with its preliminary and tentative findings and gave TRDA twenty working days to respond.

8. The Department unilaterally acted to cease distribution of Challenger License Tag fees to TRDA without notice and without an opportunity to be heard; said action taken not only before a final audit report by Florida's Auditor General, but even before providing TRDA with its preliminary and tentative findings.

9. From 1988 until the present, TRDA has used all its share of Challenger License Tag fees for the following purposes:

- Teacher Quest scholarships
- Endeavor Academy workshops
- Space related Business-Incubator mentoring and workshops
- State lobbying fees

10. The above uses of Challenger License Tag fees are consistent with Section 320.08058 (2) (c) Florida Statutes which directs such fees be used for any of the following:

- Funding space-related research grants
- Teacher Quest Scholarships
- Space-related economic development programs
- Coordinating and distributing available resources among state universities, independent colleges and universities, public school districts and not-for-profit educational organizations

11. TRDA looks forward to further discussions with the Department.

Submitted June 7, 2013 by TECHNOLOGICAL RESEARCH AND DEVELOPMENT AUTHORITY through its Executive Director, Chester J. Straub, Jr.

Chester J. Straub, Jr.

## ATTACHMENT 2- AMF Management Response



Peter M. Dunbar  
Attorney at Law

(850) 222-3533  
pete@penningtonlaw.com

July 30, 2013

David Ulewicz, Audit Director  
Florida Highway Safety and Motor Vehicles  
2900 Apalachee Parkway  
Tallahassee, Florida 32399-0500

Re: Astronauts Memorial Foundation (AMF) Responses and Corrective Actions

Dear Mr. Ulewicz:

Please be advised that the undersigned represents Astronauts Memorial Foundation (AMF), and the purpose of my correspondence is to respond to your letter of July 1, 2013 and respond to your preliminary and tentative audit finding and recommendation on AMF's behalf. Additionally, AMF acknowledges your concerns and intends to provide corrective actions that address those concerns to avoid similar future questions. The planned corrective actions concerning the matters in your correspondence and the timeframe for implementation of them are discussed at the conclusion of this correspondence.

It is my intent to provide the information that AMF reasonably believes demonstrates that all funds were properly spent and correctly accounted for pursuant to generally accepted accounting principles. The AMF takes seriously the responsibility of ensuring that proceeds from specialty license plate sales are used in accordance with ss. 320.08056 and 320.08058. Its accounts are audited annually in accordance with generally accepted accounting procedures, most recently by McGladrey, LLP, and these procedures are summarized below.

AMF believes its procedures demonstrate that license plate fees were not only spent properly, but used in a way in accordance with the intended purpose of these fees. While a co-mingled account was utilized, internal accounting records and the general accounting ledger for revenue and expenditures clearly demonstrate that there were other sources of revenue deposited into the account. The general ledger further demonstrates that the total expenditures for authorized programs far exceeded the amount received for the license plate fees. Expenditures for other purposes were attributed to revenues other than the funds from the license plate fee.

215 South Monroe St., 2nd Floor (32301) | P.O. Box 10095 | Tallahassee, FL 32302-2095 | (850) 222-3533 | (850) 222-2126 fax | [www.penningtonlaw.com](http://www.penningtonlaw.com)

TALLAHASSEE - TAMPA

The Preliminary and Tentative Findings presented in your correspondence is as follows:

**Preliminary and Tentative Findings**

Report Number: 201213-25

Report Title: Specialty License Plate Audit, Challenger/Columbia – AMF

*During the 2011-12 Fiscal Year, the Astronauts Memorial Foundation (AMF) allocated \$214,344.93 (70%) of specialty license plate fees to Educational Programs. These fees were commingled in accounting records with other revenue AMF allocates for Educational Programs.*

*The Educational Program financial records included expenditures of \$30,000 to Spearman Management, Inc., a registered lobbying firm, for educational consulting services. Although the AMF was able to provide invoices for the expenditures, the invoices only stated that the expenditures were for services rendered and did not contain any information about the type of educational services that were provided. Additionally, the AMF stated they did not have a written agreement with Spearman Management, Inc. and that they verbally retained month-to-month government consulting services from Spearman Management, Inc. The AMF specified these services included monitoring and tracking issues relating to education in the state, federal and local governments, and facilitating partnership and ventures in public and private schools, universities and colleges.*

*Since a contract or invoices that clearly demonstrate the purpose of the expenditures to Spearman Management, Inc. are not available, it is unclear how these expenditures met the Challenger/Columbia specialty license plate purpose of supporting the operations of the Center for Space Education and the Education Technology Institute.*

**Finding 1**

*The AMF used specialty license plate fees for unallowable educational consulting services that did not meet the purpose of directly supporting the operations of the Center for Space Education and the Education Technology Institute.*

**Recommendation**

*We recommend the Astronauts Memorial Foundation use specialty license plate fees for allowable expenses as authorized in Sections 320.08056 and 320.08058(2), F.S.*

**AMF Response:**

The consulting expense of Spearman Management was accounted for separately throughout the AMF accounting and budget process. Using generally accepted accounting procedures verified by McGladrey, LLP, the AMF through its accounting system was able to clearly account for and differentiate the expenses of AMF educational programs and consultants. The Astronaut Memorial Foundation did not pay Spearman Management with license tag monies, and this conclusion is reached based upon Independent Auditor's report by McGladrey, LLC attached as Appendix A. From page 4 of the report, the accounting shows the "Spearman Management payment" as separate and distinct from the educational programs as follows:



Expenses:

Program services:

Memorial maintenance/repair	226,897	198,435
Center for Space Education – educational programs	448,834	470,436
Center for Space Education – operations	528,406	524,949
Computers for education	71,150	201,600

Supporting services:

General and administrative	229,118	252,741
Fundraising	17,834	18,033
Other professional fees	30,000	1,000

<b>Total expenses</b>	<b>1,552,239</b>	<b>1,667,194</b>
-----------------------	------------------	------------------

The auditors in accordance with generally accepted accounting procedure were able to clearly discern the consultant payments from Educational expenses.

Additionally and in accordance with generally accepted accounting, AMF has a distinct and separate line item in its annual budget approved by the board of directors. Items are identified by department codes to track costs for each purpose, allowing for the appropriate segregation of funds for recordkeeping and avoiding “comingling” for internal purposes in acceptable accounting practice. The line item for Spearman Management is under the name “Consultants” (copy of complete budget is attached as Appendix B.) It has its own distinct category number (50500) that distinguishes it from any other expenditure as shown below:

Revenues:					YR 11-12	YR 10-11	CHANGE
Challenger Plates					\$292,817.00	\$339,507.00	-\$46,690.00
Donations-Development					\$51,000.00	\$51,000.00	\$0.00
Educational Programs					\$82,000.00	\$82,000.00	\$0.00
Facility Fees					\$421,656.00	\$421,656.00	\$0.00
Subtotal							
Annual Distribution	30-Jun-11	\$3,553,809.00	12.04%	\$427,952.00	\$427,952.00	\$367,350.00	\$60,602.00
<b>Total Revenues:</b>					<b>\$1,275,425.00</b>	<b>\$1,281,513.00</b>	<b>\$13,912.00</b>
<b>Expenses:</b>							
Salaries/Taxes/Fringe	50000-50300				\$844,862.00	\$836,498.00	\$8,364.00
<b>Consultants</b>	<b>50500</b>				<b>\$32,000.00</b>	<b>\$3,000.00</b>	<b>\$29,000.00</b>
Advertising/Marketing	50510				\$6,300.00	\$6,300.00	\$0.00
Memorial Flowers	53100				\$2,200.00	\$2,100.00	\$100.00
Training Costs	51600				\$2,000.00	\$4,000.00	-\$2,000.00
Travel	51700-51710				\$26,400.00	\$26,400.00	\$0.00
Business Meetings	51720				\$13,056.00	\$13,056.00	\$0.00
Program Meetings	51730				\$3,000.00	\$3,000.00	\$0.00
Publications/Brochures	52000				\$11,500.00	\$11,500.00	\$0.00
Reproduction Expense	52010				\$10,200.00	\$10,200.00	\$0.00
Office Supplies/Expense	52050				\$14,700.00	\$14,700.00	\$0.00
Educational Manuals	52070				\$1,800.00	\$1,800.00	\$0.00
Postage/Shipping	52110				\$6,400.00	\$6,400.00	\$0.00
Dues & Subscriptions	52150				\$2,400.00	\$2,400.00	\$0.00
Legal Fees	52300				\$0.00	\$0.00	\$0.00
Repairs/Maintenance	53250-54150				\$97,711.00	\$98,102.00	-\$391.00
Software/Hardware/New Equip	53300				\$4,800.00	\$4,800.00	\$0.00



Telephone	54000	\$11,000.00	\$11,000.00	\$0.00
Utilities	54020	\$85,496.00	\$85,496.00	\$0.00
Insurance	54650	\$58,800.00	\$66,000.00	-\$7,200.00
Miscellaneous	54990	\$1,200.00	\$1,361.00	-\$161.00
Accounting/Audit/Bkp	52330-52340	\$32,600.00	\$30,600.00	\$2,000.00
Memorial Events	55000.4	\$0.00	\$12,000.00	-\$12,000.00
Alan Shepard Annual Awards	55000.3	\$7,000.00	\$7,000.00	\$0.00
Educational Initiatives	55000.3	\$0.00	\$3,800.00	-\$3,800.00
<b>Total Expenses:</b>		<b>\$1,275,425.00</b>	<b>\$1,261,513.00</b>	<b>\$17,712.00</b>

The Spearman Management cost was applied to the Consultant line item, not the education line item. From the beginning it was intended to be accounted for separately, as was reported at the publicly noticed AMF Board of Directors meeting.

In the AMF Monthly Financial Statements shown below (copy of complete financial statement is attached as Appendix C.), the consultant line item reflects the monthly payment to Spearman Management. The numbers match perfectly as shown below. There is no question that these are payments to Spearman Management and not payments made toward education. This demonstrates that it was always the intent to treat his services separate from the educational programs.

Expenses:							
Salaries	50000-50300	\$70,405.25	\$87,309.24	-\$16,903.99	\$844,863.00	\$838,869.35	\$5,993.65
Consultants	50500.00	\$2,666.50	\$2,500.00	\$166.50	\$31,998.00	\$32,000.00	-\$2.00
Advertising/Marketing	50510.00	\$525.00	\$105.67	\$419.33	\$6,300.00	\$5,717.23	\$582.77
Memorial Flowers	53100.00	\$183.25	\$0.00	\$183.25	\$2,199.00	\$2,017.31	\$181.69
Training Costs	51600.00	\$166.50	\$0.00	\$166.50	\$1,998.00	\$842.07	\$1,155.93
Travel	51700-51710	\$2,200.00	\$1,724.43	\$475.57	\$26,400.00	\$22,826.22	\$3,573.78
Business Meetings	51720.00	\$1,088.00	\$63.65	\$1,024.35	\$13,056.00	\$8,611.51	\$4,444.49
Education Course Meetings	51730.00	\$250.00	\$60.11	\$189.89	\$3,000.00	\$2,132.53	\$867.47
Publications/Brochures	52000.00	\$958.25	\$0.00	\$958.25	\$11,499.00	\$7,411.90	\$4,087.10
Reproduction Expense	52010.00	\$850.00	\$493.00	\$357.00	\$10,200.00	\$7,833.33	\$2,366.67
Office Supplies/Expense	52050.00	\$1,225.00	\$1,889.21	-\$664.21	\$14,700.00	\$16,547.06	-\$1,847.06
Educational Manuals	52070.00	\$150.00	\$104.70	\$45.30	\$1,800.00	\$878.41	\$921.59
Postage/Shipping	52110.00	\$533.25	\$0.00	\$533.25	\$6,399.00	\$3,082.95	\$3,316.05
Dues, Subscriptions & Fees	52150.00	\$200.00	\$0.00	\$200.00	\$2,400.00	\$177.35	\$2,222.65
Legal Fees	52300.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Repairs/Maintenance	53250-54150	\$8,142.50	\$9,826.41	-\$1,683.91	\$97,710.00	\$83,260.24	\$14,449.76
Software/Hardware	53300.00	\$400.00	\$0.00	\$400.00	\$4,800.00	\$2,250.32	\$2,549.68
Telephone	54000.00	\$916.75	\$976.10	-\$59.35	\$11,001.00	\$10,535.39	\$465.61
Utilities	54020.00	\$7,124.75	\$7,100.00	\$24.75	\$85,497.00	\$85,200.00	\$297.00
Insurance	54650.00	\$4,900.00	\$4,900.00	\$0.00	\$58,800.00	\$58,800.00	\$0.00
Miscellaneous	54990.00	\$100.00	\$0.00	\$100.00	\$1,200.00	\$289.94	\$910.06
Accounting/Audit/Bkp	52330-52340	\$2,716.75	\$150.00	\$2,566.75	\$32,601.00	\$25,350.00	\$7,251.00
Astronauts Memorial Events	55000.40	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
AMF History	55000.10	\$0.00	\$0.00	\$0.00	\$0.00	\$1,250.00	-\$1,250.00
Alan Shepard Annual Awards	55000.30	\$583.50	\$1,566.72	-\$983.22	\$7,002.00	\$3,796.77	\$3,205.23
<b>Total Expenses:</b>		<b>\$106,285.25</b>	<b>\$116,769.24</b>	<b>-\$12,483.99</b>	<b>\$1,275,423.00</b>	<b>\$1,219,679.88</b>	<b>\$55,743.12</b>
		Monthly Budget	Jun-12 Actual	Jun-12 Variance	YTD Budget	YTD Actual	YTD Variance

AMF Audited Financial Statements have always referenced the Florida Law and recognized the limitation on the license plate fee expenditures. AMF has relied upon the outside auditors and believes the accounting system properly accounts for license plate expenditures because over the years there has

never been a negative finding or criticism on these internal accounting procedures used by AMF. This included the audits during the years prior to 2007 when AMF audits were conducted under Florida's Single Audit Act. An excerpt for the page 14 from the independent Auditor's report (Appendix A) by McGladrey LLC for the period in question provides as follows:

**Note 9. Contribution Revenue**

*License plate fees: Florida Statutes Section 320.08058 requires 50% of the Challenger/Columbia license plate fees be distributed to the Foundation by the State Department of Motor Vehicles (the Department). The fee of \$25 above the normal license plate fee is a voluntary fee paid by an individual when obtaining or renewing their tag. The transaction is between the resource provider (individual) and the Foundation with the Department acting as an intermediary, as such the fees are recorded as contributions. The fees must be used for the maintenance and support of the operations of the Center for Space Education and the Education Technology Institute operated by the Foundation. These operations must include preservice and inservice training in the use of technology for the state's instructional personnel in a manner consistent with state training programs and approved by the Department of Education. Statutes allow 20% of the funds to be used for administrative costs directly associated with the operation of the Center and the Institute. Statutes further allow up to 10% of the funds be used for continuing promotion and marketing of the license plate.*

*Florida Statutes Section 320.08056(10) provides that no special license plate annual use fees, or any interest earned from these fees may be used for commercial or for profit activities or for general and administrative expenses except as authorized by Section 320.08058. License plate fees are considered unrestricted contributions and are recorded when the Department's commitment is received.*

**SUMMARY CONCLUSION ON FINDINGS**

All of the license plate fees were used for the maintenance and support of the operations of the Center for Space Education and the Education Technology Institute operated by the Astronauts Memorial Foundation, Inc. These operations included preservice and inservice training in the use of technology for the state's instructional personnel in a manner consistent with state training programs and approved by the Department of Education.

According to the financial information presented in the Statement of Activities for the year ended June 30, 2012, AMF was able to expend approximately \$306,207 on expenses for the Center for Space Education and its programs and the Education Technology Institute as outlined above and consistent with Section 320.08056. During the year, AMF expended approximately \$1.3 million in expenses related to the Center for Space Education. Based on this information and generally accepted accounting procedures, it can be concluded that the AMF is using other funds to support the Center for Space Education in addition to the restricted funds that are received from the Challenger/Columbia license plate fees.

While the AMF incurred expenditures totaling \$30,000 during the 2011-12 Fiscal Year that were paid to Spearman Management, Inc., AMF does not feel that these are unallowable educational consulting services as it can be demonstrated that these expenditures were not paid utilizing the restricted revenue that was received from the sale of Challenger/Columbia license plates.

The accounts of AMF show the \$30,000 expenditure was classified as a separate line item under other professional services and not part of Education programs. It is important to note that in the AMF audited financial statements, the "over spend" on Educational Programs alone are \$671,033. This does not include those expenditures questioned by the State. The "over-spend" came or was financed from other sources revenue generated by AMF over the year in question and the \$30,000 expenditure in question was funded by those other sources.

#### PLANNED CORRECTIVE ACTIONS

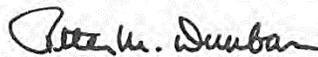
AMF's current administration does believe that it would be beneficial to reorganize our current chart of accounts so that it is detailed enough to provide adequate management information concerning the receipt and use of restricted funds but not so detailed as to be cumbersome. However, we do not agree that these expenses paid to Spearman Management, Inc. were paid using restricted funds.

To improve the accounting system, the following corrective actions are being implemented by AMF in its handling of receipt and expenditure of Challenger/Columbia Tag funds. First, AMF has opened an entirely separate Banking Account, the "Challenger/Columbia Tag Account." Next, the payments from the Challenger/Columbia Tag Account will be restricted to expenses that directly qualify under Florida Law for the tag expenditures. The collection and expenditure of other monies will use separate accounts.

The programs funded by the Challenger/Columbia Tag will be legally reviewed for statutory compliance during the annual budgeting process and/or any intermediate Board Meetings.

AMF has reviewed its Chart of Accounts and the Category and Department coding in its accounting software. Although, Spearman Management had its own distinct Category number (50500), it had a department number of .3 or a code of (50500.3). This is a distinct number, but the Category .3 in the Chart of Accounts is used for education programs. We see how this can give the impression that education dollars were being used to pay the Spearman expense; therefore we have created a new Department Code for Government Consulting to eliminate any confusion in the accounting categories. We have retained a CPA to assist us with these changes and will be complete by August 15.

Respectfully,



Peter M. Dunbar

PMD/tmz  
Attachments

cc: John McBride, Chairman of AMF