

SLP Administrative Cost Allocation

Consulting Engagement 201819-14

April, 3, 2019

Executive Summary

Drivers throughout the state of Florida can purchase a specialty license plate (SLP) to support or represent an organization where the goal is to help the environment, athletics, universities, or other causes. There is an annual use fee charged when the plate is purchased and renewed that goes to support the organizations' specific cause, which is in addition to the traditional registration fees. There are specific requirements to create an SLP. Section 320.08056, Florida Statute (F.S.), outlines the responsibilities of the Department to develop SLPs as authorized after approval through law and presale.

Various Department members have duties and responsibilities relating to the creation, maintenance, and distribution of the SLPs. Section 320.08056(7), F.S., requires the Department to annually retain an amount sufficient to defray each specialty plate's pro-rata share of the Departments costs directly related to the SLP program.

Annually, the Bureau of Accounting (BOA) is tasked with creating a cost allocation in determining the administrative cost to the Department. Accounting uses a salary calculation, in addition to the total sales of all SLPs, the cost to the Department to create each physical plate, and any additional direct costs, to create the allocation. The allocation conducted for the 2017-18 Fiscal Year determined the total administrative costs for the more than 120 SLPs to be \$746,981.52.

The purpose of this engagement was to review and evaluate the Department's methodology for calculating the costs directly related to the specialty license plate program to ensure the accuracy and completeness of the costs.

Upon review of the Department's current processes relating to the SLP Administrative Cost Allocation, we recommend BOA, in coordination with Motorist Services, create a formal methodology and procedure in capturing the annual SLP administrative cost allocation to ensure:

- All members who had SLP responsibilities are captured; and
- The amount retained from the annual use fees is sufficient to defray all of the Department's direct costs related to the SLP program including but not limited to travel, training, and software.

Background and Introduction

Drivers throughout the state of Florida can purchase a SLP to support or represent an organization where the goal is to help the environment, athletics, universities, or other causes. There is an annual use fee charged when the plate is purchased and renewed that goes to support the organizations' specific cause, which is in addition to the traditional registration fees. There are specific requirements to create an SLP. Section 320.08056, F.S., outlines the responsibilities of the Department to develop SLPs as authorized after approval through law and presale.

Various Department members have duties and responsibilities relating to the creation, maintenance, and distribution of the SLPs. Section 320.08056(7), F.S., requires the Department to annually retain an amount sufficient to defray each specialty plate's pro-rata share of the Department's costs directly related to the SLP program. Such costs will include inventory costs, distribution costs, direct costs to the Department, costs associated with reviewing each organization's compliance with audit and attestation requirements and any applicable increased costs of manufacturing the SLP.

Annually, the BOA is tasked with creating a cost allocation in determining the administrative cost to the Department. This allocation includes all direct costs to the Department listed in Section 320.08056(7), F.S., including work time Department members have allocated to SLP responsibilities.

Prior to the end of each fiscal year, a BOA member will send out an email to members on the prior year allocation to certify the percentage of time has not changed. The correspondence asks the members to certify if the amount of time worked has changed from the previous calculation. Additionally, BOA retrieves salary and benefits information from the Florida Accounting Information Resource (FLAIR). A pro-rated calculation is then created from the total cost of the member salary, benefits, and percentage of time the member stated they have spent on SLPs responsibilities for the year.

The BOA uses the salary calculation, in addition to the total sales of all SLPs, the cost to the Department to create each physical plate, and any additional direct costs, to create the allocation.

The allocation conducted for the 2017-18 Fiscal Year determined the total administrative costs for the more than 120 SLPs to be \$746,981.52. The Department holds the annual use fees collected from all SLPs until the administrative costs to the Department are recouped. Once recouped, the Department disburses the annual use fees to the SLP organizations. The Department portion of the funds are deposited into

the Operating Trust Fund to be reallocated to support expenditures relating to overall license plate purchases.

Results of Review

We interviewed applicable BOA staff that compile the information for the calculation and allocation, as well as Department members who have responsibilities relating to SLPs throughout the year and noted the following:

There is no formal methodology, policy, or procedure to create the allocation. Prior to the end of each fiscal year, a BOA member will send out an email to members on the prior year allocation to certify the percentage of time has not changed. The BOA member who previously worked on the allocation is no longer with the Department and the section supervisor is in the process of reviewing the methodology.

Contacting only members from the prior year's calculation does not allow Division management or supervisors to account for members who may now have SLP responsibilities. Also, the process allows for the member receiving the request to simply confirm the percentage of time spent, without compelling the member or their supervisor to reevaluate the percentage of time spent on SLP responsibilities for the current year.

Our interviews of the 32 members or their supervisors listed on the allocation spreadsheet noted 13 members stated the percentage of time worked on the SLP program does not accurately reflect the actual time spent on SLP responsibilities. Some of the members are no longer in the same position and the current member name needs to be updated. Also, the section supervisor responsible for review of the allocation was not accounted for.

Further interviews of Department members noted some senior management and their staff who spent approximately 1-3% of their time related to SLP responsibilities were not included in the allocation. Although, the percentage of overall time related to the SLP program is not significant for these members, the actual cost due to high salaries would be similar to staff members with a higher percentage.

Section 320.08056(7), F.S., states the Department should retain an amount sufficient to defray direct costs related to the SLP program. The current allocation only includes member time (pro-rated for salary and benefits), costs for plates, and the cost for internal audit software. In further review, \$3,714.59 in direct travel costs relating to site visits for audit and oversight were not included within the allocation.

Finally, discussions with Information Systems Administration (ISA) members showed there were little to no direct costs relating to Information Technology for SLP responsibilities for the 2017-18 Fiscal Year. ISA members monitor and produce various

reports relating to SLPs, many of which are automatically populated. Further discussions noted, direct costs increase due to member responsibilities when there is a creation of a new SLP; however, the newest SLP, *Florida Sheriff's Association*, was created in 2015.

Conclusions

Upon review of the Department's current processes relating to the SLP Administrative Cost Allocation, we recommend BOA, in coordination with Motorist Services, create a formal methodology and procedure in capturing the annual SLP administrative cost allocation to ensure:

- All members who had SLP responsibilities are captured; and
- The amount retained from the annual use fees is sufficient to defray all of the Department's direct costs related to the SLP program including but not limited to travel, training, and software.

Purpose, Scope, and Methodology

The purpose of this review was to review and evaluate the Department's methodology for calculating the costs directly related to the specialty license plate program to ensure the accuracy and completeness of the costs.

The scope of this review included the actual costs that were used to determine the most recent cost allocation for 2017-18 Fiscal Year.

The methodology included:

- Reviewing applicable Florida Administrative Code and Florida Statutes;
- Reviewing applicable Department policies and procedures;
- Reviewing the cost allocation methodology;
- Interviewing the Accounting staff that compile the information for the allocation; and
- Interviewing Department staff that have any responsibilities for SLPs.

Distribution, Statement of Accordance, and Project Team

Distribution

Terry L. Rhodes, Executive Director
Jennifer Langston, Acting Chief of Staff
Robert Kynoch, Director of Motorist Services
Rick White, Deputy Director of Motorist Services
Kevin Bailey, Director of Administrative Services
Steve Burch, Chief of Accounting

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 consulting engagement was conducted in accordance with applicable *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General.

Project Team

Engagement conducted by:
John Brancale, Auditor

Under the supervision of:
David Ulewicz, Audit Director

Approved by:



David Ulewicz, Acting Inspector General