

Specialty License Plate Audit

Florida Agriculture in the Classroom, Inc.

Agriculture

Audit Report 201819-31

August 20, 2019

Executive Summary

The purpose of this audit was to determine compliance with applicable laws and policies related to the annual reporting by the Florida Agriculture in the Classroom Inc., (Organization) for the Agriculture specialty license plate. The Organization is required to submit a Specialty License Plate Revenue, Expenditure, and Compliance Affidavit, or state single audit, to the Department of Highway Safety and Motor Vehicles (Department) within nine months after the end of the Foundation's fiscal year. The affidavit submitted by the Organization for the 2017 Fiscal Year ended December 31, 2017, was used for this audit.

For every Agriculture specialty license plate sold or renewed, a \$25 annual use fee is charged and distributed, as required by statute, to the Organization, a non-profit organization.

During our audit, we determined the Organization materially complied with applicable laws and policies related to the annual affidavit for the Agriculture specialty license plate. However, we did note that compliance could be improved through enhanced recordkeeping. The Organization agreed with the audit finding.

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, Florida Statutes (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 the 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 Agriculture specialty license plate sold or renewed, a \$25 annual use fee is charged and distributed, as required by statute.

Section 320.08058(14), F.S., specifies a maximum of 25 percent of funds distributed by the Department may be used for promotion, marketing, and administrative costs directly associated with the license plate and Florida agriculture in the classroom programs.

The Agriculture specialty license plate was established in 1996. There were 15,946 active Agriculture specialty license plates as of June 2018. The Organization reported receipts of \$318,658.47 in specialty license plate fees for the 2017 Fiscal Year.

Results of Audit

During our audit, we determined the Organization generally complied with applicable laws and policies related to the annual reporting for the Agriculture specialty license plate. However, we identified the following issue which requires management attention.

Reporting Accuracy

Finding 1: The Organization should improve its classification, timing and recording of expenditures reported in the financial records and on the annual affidavit.

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 of 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.

Additionally, Section 215.97(8)(d), F.S., requires that records be maintained for the expenditure of funds. Further, Section 617.1601(2), F.S., provides that not for profit corporations shall maintain accurate accounting records.

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. The amounts reported on affidavits should agree with the Organization's books of record which should tie to banking records or other detailed accounting records.

The Organization's specialty license plate expenditures reported on the affidavit did not reconcile to the general ledger provided. Our inquiries and review of the Organization's records indicated a need for significant improvement in the accuracy, completeness, and timeliness of recordkeeping.

Additionally, the total general ledger expenditures did not reconcile to the audited financial statement expenditures. The audit firm noted material adjustments to the Organization's financial statements for the 2017 balances, as well as restatement of opening unrestricted net assets were proposed. They also noted it necessary for them to assist the Organization with the preparation of the Organization's financial statements.

Recommendation

We recommend the Organization develop and implement processes to enhance classification and recording of expenditures to provide timely, accurate and complete recordkeeping.

Management Response

The Organization agrees with finding and has obtained professional assistance to structure the recordkeeping process in order to provide accurate financial reporting. Starting with the 2019 Fiscal Year, the financial records should agree with the affidavit submitted by the Organization.

Purpose, Scope, and Methodology

The purpose of this audit was to determine the Organization's compliance with applicable laws and policies related to the annual reporting by the Organization for the Agriculture specialty license plate.

The scope of this audit included specialty license plate expenditures reported on the Organization's affidavit for the 2017 Fiscal Year, and specialty license plate revenue and expenditures reported in the Organization's financial records for the 2017 Fiscal Year.

The methodology for the audit of the Agriculture specialty license plate included:

- Reviewing Florida Statutes, Department policies, and Organization policies;
- Reconciling the Department's distribution of specialty license plate fees to revenues reported on the affidavit filed by the Organization;
- Reconciling the expenditures reported on the affidavit to the Organization financial records;
- Reviewing the use of funds by the Organization 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 annual allocation limits, and reviewing reasonableness of balances.

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
Stephanie Duhart, Chief Administrative Officer, Division of Motorist Services

Michael Rogalsky, Chair, Florida Agriculture in the Classroom
Becky Sponholtz, Executive Director, Florida Agriculture in the Classroom

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:
Jill Sittig, Auditor

Under the supervision of:
David Ulewicz, Audit Director

Approved by:


Mike Stacy, Acting Inspector General

ATTACHMENT – Management Response



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August 12, 2019

Mr. Ulewicz,

This letter is in response to the findings from the specialty license plate audit for the Agriculture plate.

Finding 1: The Organization should improve its classification, timing and recording of expenditures reported in the financial records and on the annual affidavit.

Moving forward Florida Agriculture in the Classroom (FAITC) will create a class in QuickBooks for each outside funded projects. In 2017, FAITC had four outside projects and none of those had classes assigned in QuickBooks. This made pulling the general ledger without those projects difficult. Moving forward FAITC will be able to pull the classes out of the general ledger, leaving only specialty license funded projects.

Starting in 2019, FAITC hired a new financial auditor that is helping set up QuickBooks correctly and making adjustments that should have been done previously. In 2019, and beyond the financial recordings should be accurate with the affidavit submitted.

Please let me know if you need more information.

Sincerely,



Becky Sponholtz
Executive Director