



Specialty License Plate Audit The American Legion Department of Florida, Inc. American Legion Audit Report 201920-05

October 29, 2019

Executive Summary

The purpose of this audit was to determine compliance with applicable laws and policies related to the annual reporting by the American Legion Department of Florida, Inc., (Organization) for the American Legion 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 Organization's fiscal year. The affidavit submitted by the Organization for the 2019 Fiscal Year ended June 30, 2019, was used for this audit.

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

During our audit, we determined the Organization materially complied with applicable laws and policies related to the annual affidavit for the American Legion 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 American Legion specialty license plate sold or renewed, a \$25 annual use fee is charged and distributed, as required by statute, to the Organization. Section 320.08058(77), F.S., specifies a maximum of 10 percent of total proceeds may be used by the Organization for administrative costs and marketing cost. The balance of the



fees shall be used by the American Legion Department of Florida, Inc., to support Florida American Legion Boys State, the American Legion Auxiliary Girls State, the American Legion Department of Florida Veteran Affairs and Rehabilitation program, the Gilchrist Endowment Fund, and other appropriate activities.

The American Legion specialty license plate was established in 2013. There were 2,484 active American Legion specialty license plates as of June 2019. The Organization reported receipts of \$65,327.86 in specialty license plate fees for the 2019 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 American Legion specialty license plate. However, we identified the following issue which requires management attention.

Recordkeeping

Finding 1: The Organization should improve its documentation and retain supporting documents for expenditures.

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.

According to the Department Procedures and Requirements (May 2013), expenditures reported on the affidavit are subject to disallowance if they cannot be substantiated with a detailed employee time sheet, or a receipt, cancelled check, etc. Additionally, Section 215.97(8)(d), F.S., requires that records be maintained for the expenditure of funds.

Our review of the records for the Veteran Affairs and Rehabilitation (VA&R) program maintained by the Organization indicated five of the expenditure transactions totaling \$9,396.02 were not adequately documented. The absence of invoices, receipts or a descriptive purpose for expenses related to the VA&R program makes it unclear if the transactions are allowed by statute.

Through discussion with the Organization's staff, we concluded the expenditures appeared to be related to veteran's affairs activities and programs. However, after-the-fact determinations are not a reasonable substitute for contemporaneous recordkeeping.



Recommendation

We recommend the Organization develop and implement processes to retain supporting documents for all expenditures.

Management Response

The American Legion Department of Florida, Inc., agrees with the finding and will follow the IG's recommendation to retain supporting documentation for all expenditures. The Department will no longer issue any reimbursements or payment requests submitted without proper attached documentation/receipts. This is to include but not limited to mileage logs, requests for reimbursement of volunteer service and direct donations to a hospital or other facility.

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 American Legion specialty license plate.

The scope of this audit included specialty license plate revenues and expenditures reported on the Organization's affidavit for the 2019 Fiscal Year, and specialty license plate revenue and expenditures reported in the Organization's financial records for the 2019 Fiscal Year.

The methodology for the audit of the American Legion 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

Rick Johnson, Department Commander, American Legion Department of Florida
Mike McDaniel, Department Adjutant, American Legion Department of Florida
Bruce Comer, Department Assistant Adjutant, American Legion Department of Florida

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:
Erin Mook, Acting Audit Director

Approved by:



Mike Stacy, Acting Inspector General



ATTACHMENT – Management Response



**THE
AMERICAN
LEGION**

For God and Country

October 25, 2019

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

Dear Mr Ulewicz,

The American Legion, Department of Florida is in receipt of the enclosed preliminary and tentative audit finding and recommendation. As a result of this finding and recommendation, The American Legion, Department of Florida has taken the necessary corrective actions to ensure compliance as recommended. I have enclosed documentation being sent out to all of our VA&R representatives as well as reviewing these findings with our Finance Director and Comptroller to ensure these protocols are followed in the future.

Please contact the Department Assistant Adjutant at 407-295-2631 x237 to advise you received this letter and provide an expected date of completion.

Sincerely,

Bruce E. Comer
Department Assistant Adjutant

Enclosure(s):
Preliminary and Tentative Finding
Memorandum to VA&R Representatives
VA&R Expense Report (Sample)