



Specialty License Plate Audit
Harbor Branch Oceanographic Institute
Foundation, Inc.
Protect Wild Dolphins
Audit Report 202021-13

June 16, 2021

Executive Summary

The purpose of this audit was to determine compliance with applicable laws and policies related to the annual reporting by the Harbor Branch Oceanographic Institute Foundation, Inc., (Foundation) for the Protect Wild Dolphins specialty license plate. The Foundation 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 state single audit submitted by the Foundation for the 2019 Fiscal Year ended June 30, 2019, was used for this audit.

For every Protect Wild Dolphins specialty license plate sold or renewed, a \$20 annual use fee is charged and distributed, as required by statute, to the Foundation.

While our audit determined the Foundation generally complied with applicable laws and policies related to the annual state single audit for the Protect Wild Dolphins specialty license plate, we noted two issues involving compliance that require management attention. Compliance should be improved by maintaining adequate support documentation for administrative expenditures. Additionally, compliance with the use of administrative fees as provided for in Section 320.08058(19), Florida Statutes (F.S.) should be improved.

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 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 Protect Wild Dolphins specialty license plate sold or renewed, a \$20 annual use fee is charged and distributed, as required by statute, to the Foundation. Section 320.08058(19)(b), F.S., specifies annual revenues shall be used in the following manner:

- Research for the wild Florida Bottlenose Dolphin;
- Up to fifteen percent may be expended for administrative costs directly associated with the operations of the institution;
- Up to ten percent may be used for continuing promotion and marketing of the license plate; and
- The remainder of funds must be used to collect, analyze, and archive scientific data regarding the wild dolphin population in Florida waters; provide care and assistance to stranded wild dolphins; distribute information to the scientific community, federal, state and local government agencies, educational institutions and the public for the purpose of protecting and preserving wild dolphins; individually identify wild dolphins through a photographic identification program; and advance the research technology associated with tracking and categorizing wild dolphins.

The Protect Wild Dolphins specialty license plate was established in 1998. There were 52,693 active Protect Wild Dolphins specialty license plates as of June 2019. The Foundation reported receipts of \$1,082,801.06 in specialty license plate fees for the 2019 Fiscal Year.

Results of Audit

During our audit, we determined the Foundation generally complied with applicable laws and policies related to the annual reporting for the Protect Wild Dolphins specialty license plate. However, we identified the following issues which require management attention.

Recordkeeping

Finding 1: The Foundation did not maintain support documentation related to administrative expenditures and did not provide a signed Memorandum of Understanding (MOU).



Section 215.97(8)(d), F.S., requires that records be maintained for the expenditure of funds. Additionally, best business practices require a contract or MOU with the elements of a contract to be signed and dated by both parties.

Our review of the records for the Foundation's administrative expenses maintained by the Organization indicated all fifteen of the expenditures sampled totaling \$10,949.49 did not have adequate supporting documentation.

Upon further discussion with Foundation leadership, we concluded there was no supporting documentation retained for any administrative expenditures. This population totaled \$70,165.48 and included 268 expenditures.

Further, while the Foundation entered into an MOU in 2018 to extend specialty license plate funds to Florida Atlantic University (FAU) for research, education, administration, and other projects, the Foundation could not provide a signed copy of the MOU to support the terms of the agreement.

For the 2018-2019 Fiscal Year, the Foundation distributed \$37,681.45 in specialty license plate funds to FAU without a signed agreement in place.

Recommendation

We recommend the Foundation develop and implement processes to enhance the retention of support documentation for expenditures, to provide for accurate and complete recordkeeping.

We also recommend the Foundation ensure agreements and/or contracts relating to specialty license plate funds are signed and dated by both parties prior to executing the agreement, and that signed copies of agreements and/or contracts are maintained in foundation records.

Management Response

The Foundation is incorporating procedures to track administrative expenditures and to retain support documentation.

Unallowable Expenditures

Finding 2: The Foundation allocated specialty license plate funds for administrative expenditures to a subrecipient not provided for in statute.

Section 320.08056(10)(a), F.S., states specialty license plate fees may not be used for general or administrative expenses, except as authorized by Section 320.08058, F.S.



Section 320.08058(19)(b), F.S. states the Protect Wild Dolphins specialty license plate annual use fees shall be distributed to the Harbor Branch Oceanographic Institution, Inc., to fund wild dolphin related research. The Harbor Branch Oceanographic Institution, Inc., shall distribute available resources for research of the wild Florida Bottlenose Dolphin. Up to 15 percent of the funds received by Harbor Branch Oceanographic Institution, Inc., may be expended for administrative costs directly associated with the operations of the institution.

The Foundation distributed \$37,681.45 (4%) of revenue to FAU, a subrecipient, to be used for administrative expenses. However, Section 320.08058(19)(b), F.S., does not provide for funds earmarked or designated for administrative costs to be distributed to subrecipients.

The Foundation did not follow the explicit wording in Section 320.08058(19)(b), F.S., pertaining to administrative costs for the Protect Wild Dolphins specialty license plate. Additionally, the Foundation has an MOU with FAU which states four percent of specialty license plate revenue will be distributed to FAU to be used for administrative costs.

Recommendation

We recommend the Foundation use specialty license plate funds for administrative costs directly associated with operations in accordance with Section 320.08058(19)(b), F.S.

We additionally recommend the Foundation consider recovering the administrative payments distributed to FAU since the start of the payments in 2018.

Management Response

The Foundation will discontinue the distribution of administrative funds to FAU subject to Board approval.



Purpose, Scope, and Methodology

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

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

The methodology for the audit of the Protect Wild Dolphins specialty license plate included:

- Reviewing Florida Statutes, Department policies, and Foundation policies;
- Reconciling the Department's distribution of specialty license plate fees to revenues reported in the Foundation's financial records;
- Reconciling the expenditures reported on the state single audit to the Foundation financial records;
- Reviewing the use of funds by the Foundation 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, state 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, Chief of Staff
Robert Kynoch, Director of Motorist Services
Stephanie Duhart, Chief Administrative Officer, Division of Motorist Services

Barbara Kavanaugh, Interim Executive Director, Harbor Branch Oceanographic Institute Foundation, Inc.

Michael O'Reilly, Chairman, Harbor Branch Oceanographic Institute Foundation, Inc.

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, Audit Director

Approved by:



Mike Stacy, Inspector General



ATTACHMENT – Management Response

HARBOR BRANCH OCEANOGRAPHIC INSTITUTE FOUNDATION

June 8, 2021

Erin Mook
Audit Director
Department of Highway Safety and Motor Vehicles
2900 Apalachee Trail
Tallahassee, Florida 32399-0600

RE: Preliminary Audit Findings – Protect Wild Dolphins License Plate

Dear Ms. Mook:

Thank you for providing the preliminary audit finding related to the Protect Wild Dolphins License Plate, and for the opportunity to submit this revised response to the preliminary audit.

In response to Finding 1, it was the opinion of the Foundation that the 3% allocation of income toward administrative costs was a reasonable and allowable procedure under the terms of the grant. This policy was adopted in order to cover allocable costs in lieu of making reclassification entries to a separate administrative expense account for each license plate. As the recommendation of the Department is that this procedure is not allowable, we will create separate expense accounts in our chart of accounts which will be utilized to track the administrative expenditures related to the Protect Wild Dolphins Specialty License Plate whether direct costs or allocable costs. A monthly reclassification entry will be processed with supporting documentation being retained referencing any direct or allocable costs.

In addition, an executed Memorandum of Understanding dated June 22, 2012 was emailed to Jill Sittig on December 3, 2020. The 2012 MOU was twice amended to establish the percentage of administrative fees to be paid to FAU. Both amendments were executed, and have been provided. Unfortunately, they were not produced during the audit process, and for that, I apologize. In the absence of any later MOU executed by the parties, the duly executed 2012 MOU and amendments would remain in effect. I would also note that the unexecuted 2018 MOU was intended to update the agreement with regard to the parties' SLP grant-making processes and procedures to the extent they had changed since 2016 and would have had no effect on the administrative fees. Unfortunately, the 2018 MOU was not fully executed as the parties were in litigation at the time. It is anticipated that a new, updated MOU will be executed by both parties when the pending litigation is resolved.

With regard to Finding 2 and the distributions of administrative costs to FAU, it was our belief that the decision to distribute 4% of plate revenue to FAU to cover administrative costs is acceptable.

The Protect Wild Dolphins license plate was created in 1998. In 2007, the HBOI physical facilities and research operations were transferred to Florida Atlantic University, and the FAU-HBOI research center was created. The former HBOI became the Harbor Branch Oceanographic Institute *Foundation*, which continued its administration and control of the specialty license plates (see, Memorandum of Understanding, executed December 21, 2007). Pursuant to 2012 MOU related to the license plates, the Foundation imposes stringent requirements for the tracking and validation of grant expenditures on each of its plates. In transferring the research operations to FAU-HBOI, it became evident that some of the indirect costs of monitoring SLP-funded research were also transferred to FAU-HBOI. As this work can only be done by the entity conducting the research, an allocation of indirect costs supports this process and ensures that each grant is spent appropriately on research. The value of this



ATTACHMENT – Management Response Continued

HBOIF Revised Preliminary Audit Response - PWD
June 4, 2021
Page 2

process lies in the assurance that all money awarded for grants has been properly applied. It is very much a fundamental component of the SLP program, and much less than the federal system which automatically adds indirect costs to grants at a level up to 10 times as high as the 4% administrative fees allocated to FAU-HBOI.

As the recommendation of the Department is that this procedure is not allowable, and subject to Board approval, HBOIF will discontinue the distribution of administrative funds to FAU-HBOI. However, as the Foundation and FAU-HBOI were at all times, and in good faith, attempting to meet the mission and purpose of this SLP program, it would be unfair and burdensome to seek recovery of funds.

Sincerely,

Barbra A. Kavanaugh

Barbra Kavanaugh
Interim Executive Director

Cc: William J. Stewart
Rossway Swan Tierney Barry Lacey & Oliver, P.L.

Jill Sittig, CPA
Auditor, Office of Inspector General
Department of Highway Safety and Motor Vehiclesg