



Specialty License Plate Audit Santa Rosa Arts and Culture Foundation Florida Arts Audit Report 202021-23

June 7, 2021

Executive Summary

The purpose of this audit was to determine compliance with applicable laws and policies related to the annual reporting by the Santa Rosa Arts and Culture Foundation, Inc., (Foundation) for the Florida Arts specialty license plate known as the State of the Arts 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 affidavits submitted by the Foundation for the 2019 and 2020 Fiscal Years ending December 31, 2019 and 2020, were used for this audit.

For every Florida Arts specialty license plate sold or renewed in Santa Rosa county, a \$20 annual use fee is charged and distributed, as required by statute, to the Foundation.

During our audit, we determined the Foundation generally complied with applicable laws and policies related to the annual reporting for the Florida Arts specialty license plate. However, we did note compliance should be improved through maintaining adequate support documentation and improving classification and recording of expenditures. The Foundation agreed with the audit findings and has begun implementing corrective action.

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 Florida Arts specialty license plate sold or renewed, a \$20 annual use fee is charged and distributed, as required by statute, to the entity designated by the county. Section 320.08058(12), F.S., specifies that fees are to be distributed to the single arts council officially designated by the county in direct proportion to the amount of fees collected in each county. If there is no county arts council, fees collected must be forwarded to such other agency in the county as the highest ranking county administrative official designates, to be applied by the arts council or agency to support arts organizations, arts programs, and arts activities within the county.

The Florida Arts specialty license plate was established in 1994. There were 19,804 and 20,034 active Florida Arts specialty license plates as of December 2019 and 2020, respectively. Santa Rosa county had 184 and 190 active Florida Arts specialty license plates for 2019 and 2020, respectively. The Foundation reported receipts of \$10,870.27 in specialty license plate fees for the 2019 Fiscal Year and \$4,716.82 in specialty license plate fees for the 2020 Fiscal Year.

The Department has been withholding the distribution of fees to the Foundation since February 11, 2021, because the Foundation failed to timely submit their 2019 compliance affidavit. After receiving the the 2019 and 2020 compliance affidavits, the Division of Motorist Services identified irregularities in the reporting and requested the Office of Inspector General conduct an audit.

Results of Audit

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

Recordkeeping

Finding 1: The Foundation should improve its retention of support documentation and classification of 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 for Specialty License Plate and Voluntary Contribution Organizations (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. Further, Section 617.1601(2), F.S., provides that not for profit corporations shall maintain accurate accounting records.

Our review of the financial records for the Santa Rosa Arts and Culture Foundation indicated the Foundation did not adequately record transaction details and totals relating to specialty license plate funds in the general ledgers provided.

For the 2020 fiscal year-end, the Foundation maintained handwritten general ledgers. We noted absent information for payee details and missing descriptions which were only determined through inquiries with Foundation management. Accurate totals for the expenditures were illegible and in improper expense columns, and check numbers were also illegible. We also noted 3 of the 38 total transactions (8%) did not have adequate support documentation. Those transactions account for \$562.13 (8%) of the \$7,109.03 total.

Further, the 2020 fiscal year-end expenditures listed on the affidavit did not reconcile to the general ledger. The net amount of the expenditure reconciliation difference between the affidavit and the general ledger was \$115.79 (1.6%) of the total specialty license plate expenditures in the general ledger totaling \$7,109.03. Additionally, the 2020 fiscal year-end total revenue listed on the affidavit did not reconcile to the total revenue disbursed from the state.

For the 2019 fiscal year-end, we noted 2 of the 34 transactions (5.88%) did not have adequate support documentation. Those transactions account for \$250.00 (4%) of the \$6,171.74 total. Lastly, for the 2019 fiscal year-end, total revenue listed on the affidavit did not reconcile to the total revenue disbursed from the state.

The lack of accurate and complete accounting records hinders the Foundation from properly attesting to annual revenue, expenditures, and ending fund balance, as well as informing its directors, donors, and funders of its activities in a timely and reasonable manner. The accuracy and reliability of recordkeeping is maximized when relevant documents are maintained, transaction entry is complete with appropriate notations regarding the purpose, payee, check number, and is legible. Additionally, the absence of invoices for expenditures makes it unclear if the transactions are allowed by Section 320.08058(12), F.S.

Recommendation

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

Management Response

The Foundation is incorporating procedures for record-keeping and support documentation to enable the Foundation to have accurate and complete details for financial reporting.

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 Florida Arts specialty license plate.

The scope of this audit included specialty license plate revenues and expenditures reported on the Foundation's affidavits for the 2019 and 2020 Fiscal Years, and specialty license plate revenue and expenditures reported in the Foundation's financial records for the 2019 and 2020 Fiscal Years.

The methodology for the audit of the Florida Arts 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 on the affidavit filed by the Foundation;
- Reconciling the expenditures reported on the affidavit 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, 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
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Stephanie Duhart, Chief Administrative Officer, Division of Motorist Services

Toni New, President, Santa Rosa Arts and Culture Foundation, Inc.
Cindea Booth, Vice President, Santa Rosa Arts and Culture 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



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Erin Mook
2900 Apalachee Parkway
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June 2, 2021

This Letter is in response to the preliminary and tentative audit findings. We have taken your recommendations into consideration and will be incorporating them into all future accounting procedures.

As receipts and invoices become available, the corresponding check stub, with the memo line notation completed to document each expense will be attached. This will allow for a more clear and concise record keeping systems detailing all tag fund expenditures. Each item will then be recorded and retained in both a general ledger and a complete journal of the accounts.

As our organization is very limited in funds, we are not in the position to purchase bookkeeping software. Therefore, will continue to keep books manually. In addition, to a general ledger a complete set of journals will be kept for each income and expense category. It is our hope that a double entry accounting system as recommended by GAAP will enable us to keep both accurate and complete details of the income and expense of the organization.

Also, utilizing our banks' direct deposit of all tag monies received will allow for a more accurate record of funds received. It is our intention to prepare the most precise and informative books and records of all organization income and expenses.

We did put forth our best effort to work with your office in correctly reporting the 2020 tag money expenditure and compliance affidavit. However, as it is noted in the audit, it was requested that the report be filed very quickly. Due to the immediate request for the filing of the 2020 reports we were unable to accurately review or audit the year's book and records due to the resignation of our treasurer. This will not be a problem in the future, as we are aware of all reporting requirements and will do everything possible to conform.

We look forward to working with your office to secure the most complete reports. We await your final review, and we request a beginning balance from your office for the 2021 tag report.

Thank You,

A handwritten signature in black ink, appearing to read "Toni New".

Toni New, President of the Santa Rosa Arts and Culture Foundation
5243 Willing St.
Milton, FL 32570