

Specialty License Plate Audit

March 15, 2023

Florida State Lodge of the Fraternal Order of Police, Inc.

Fraternal Order of Police

Audit Report 202223-20

Executive Summary

The purpose of this audit was to determine compliance with applicable laws and policies related to the annual reporting by the Florida State Lodge of the Fraternal Order of Police, Inc., (Organization) for the Fraternal Order of Police 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 2021 Fiscal Year ended September 30, 2021, was used for this audit.

For every Fraternal Order of Police 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 generally complied with applicable laws and policies related to the annual affidavit for the Fraternal Order of Police specialty license plate. However, we identified areas where improvements could be made. We noted specialty license plate funds were used for unallowable donation expenditures. We also noted the Organization exceeded the annual statutory amount allowed for administrative and marketing purposes. Additionally, we noted the Organization did not accurately record revenue and expenditure transactions. Lastly, the Organization did not timely submit annual affidavits as required by Florida Statutes. The Organization agreed with the audit findings and has implemented 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 144 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 Fraternal Order of Police 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(67), F.S., specifies a maximum of 10 percent of annual use fees may be used to promote and market the plate, to administer the license plate program, and to pay administrative costs directly associated with the Fraternal Order of Police Law Enforcement Memorial.

The remaining proceeds shall be used by the Organization to fund projects, programs, or events related to the memorial or to fund improvements, maintenance, or other support for the memorial.

The Fraternal Order of Police specialty license plate was established in 2010. There were 4,216 active Fraternal Order of Police specialty license plates as of September 2021. The Organization reported receipts of \$119,109.99 in specialty license plate fees for the 2021 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 Fraternal Order of Police specialty license plate. However, we identified the following issues which require management attention.

Unallowable Expenditures

Finding 1: Specialty license plate funds were used for unallowable donation expenditures.

Section 320.08062(1)(b), F.S. states: Any organization not subject to audit pursuant to Section 215.97, F.S., shall annually attest, under penalties of perjury, that such proceeds were used in compliance with Sections 320.08056 and 320.08058, F.S. The attestation shall be made annually in a form and format determined by the Department.

Section 320.08062(1)(a), F.S. states: All organizations that receive annual use fee proceeds from the Department are responsible for ensuring that proceeds are used in accordance with Sections 320.08056 and 320.08058, F.S.

The fees and any interest earned from the fees may be expended only for use in this state unless the license plate is listed as an exception in Section 320.08056(10)(a), F.S.

During the 2021 Fiscal Year, the Fraternal State Lodge Order of Police had expenditures of \$2,500.00 to the National Fraternal Order of Police located in the State of Tennessee. The payment to the National Office in Tennessee was a donation toward Hurricane Ida relief assistance in Louisiana.

Although the Organization provided support documentation for the payment, no support documentation was provided to determine if the specialty license plate funds were spent in Tennessee or Louisiana. Further, the Organization could not provide justification of how the expenditure would be allowed by Section 320.08058(67), F.S., and Section 320.08056(10)(a), F.S., specifies fees may be expended only for use in this state.

Recommendation

We recommend the Organization ensure the Fraternal Order of Police specialty license plate fees are used for allowable expenses as authorized in Sections 320.08056, and 320.08058(67), F.S.

Management Response

Management recognized policies and procedures were not up to date and has been updating their understanding of Organizational policies since mid-2022.

Statutory Allocation for Administration and Marketing Costs

Finding 2: The Organization exceeded the annual statutory amount allowed for administrative and marketing purposes.

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

Section 320.08058(67)(b)(1), F.S., states a maximum of 10 percent of the proceeds may be used to promote and market the plate, to administer the license plate program, and to pay administrative costs directly associated with the state Fraternal Order of Police Law Enforcement Memorial.

The statutory allocation for administrative and marketing expenditures was exceeded by \$3,546.37.

Recommendation

We recommend the Organization develop a process and procedure for accurate expensing and reporting of the administrative, promotion, and marketing to not exceed statutory requirements listed in Section 320.08058(67), F.S.

Management Response

Management recognized policies and procedures were not up to date and has been updating their understanding of Organizational policies and procedures since mid-2022.

Management has also hired additional staff to assist with booking and reconciling of the financials. With additional staff, management believes recordkeeping should be improved to prevent coding issues or unreconciled items left in their accounting system.

Recordkeeping

Finding 3: The Organization did not accurately record revenue and expenditure transactions.

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. Additionally, Section 215.97(8)(d), F.S., requires that records be maintained for the expenditure of funds.

Section 617.1601(2), F.S., provides not for profit corporations shall maintain accurate accounting records.

Our review of sampled records maintained by the Organization identified a duplicated recording of a scholarship transaction in the amount of \$1,000.00 on May 14, 2021.

The Organization confirmed the recording was duplicated and only one check number 2672 was written to the scholarship recipient.

Additionally, revenues of \$225 were not recorded in the general ledger or on the affidavit. The Organization confirmed the error in not recording the specialty license plate fee revenue.

Recommendation

We recommend the Organization develop and implement processes to monitor transactions for accurate recording and reporting.

Management Response

Management has been updating their understanding of Organizational policies and procedures since mid-2022. Management has also hired additional staff to assist with booking and reconciling of the financials and believes with the added staff the recordkeeping should be improved to where they do not have coding or unreconciled items left in their accounting system.

Annual Reporting

Finding 4: The Organization did not timely submit annual affidavits as required by Florida Statutes.

Section 320.08062(1), 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 annual attestation shall be submitted to the Department for review within nine months after the end of the organization's fiscal year. The attestation (affidavit) is annually made by the organization in a form and format determined by the Department.

A review of the annual report filing receipt dates was conducted for the 2017 through 2021 fiscal years.

The annual affidavit was not timely submitted for three of the last five years analyzed.

Description	Affidavit Filing Summary				
Fiscal Year-end	9/30/2017	9/30/2018	9/30/2019	9/30/2020	9/30/2021
Affidavit Due Date 6/30	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Affidavit Received Date	6/28/2019	7/3/2019	7/10/2020	6/30/2021	7/14/2022
Days Filed Early or Late	1	3	10	0	14

Recommendation

We recommend that the Organization review its processes and recordkeeping to ensure that annual affidavits are submitted within the statutory timeframe of nine months after the end of the Organization's fiscal year.

Management Response

Management recognized policies and procedures were not up to date and has been updating their understanding of Organizational policies and procedures since mid-2022.

Management has also hired additional staff to assist with booking and reconciling of the financials.

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 Fraternal Order of Police specialty license plate.

The scope of this audit included specialty license plate revenues and expenditures reported on the Organization's affidavit for the 2021 Fiscal Year, and specialty license plate revenue and expenditures reported in the Organization's financial records for the 2021 Fiscal Year.

The methodology for the audit of the Fraternal Order of Police 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

Dave Kerner, Executive Director
Robert Kynoch, Deputy Executive Director
Jennifer Langston, Chief of Staff
Stephanie Duhart, Chief Administrative Officer, Division of Motorist Services

Steve Zona, President, Florida State Lodge of Fraternal Order of Police, Inc
Bill Erwin, Executive Director, Florida State Lodge of the Fraternal Order of Police, 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



FLORIDA STATE LODGE FRATERNAL ORDER OF POLICE, INC



Fraternal Order of Police – Specialty License Plate

Corrective Action Plan

Audit – 9/30/2021

Dear Office of Inspector General:

This Corrective Action Plan is in response to the Organization's 9-30-21 Tag Affidavit audit by the Office of the Inspector General.

All four findings noted in our audit are a result of turnover amongst Organizational staff and Board of Directors. Since 2018, we have had 4 different office personnel and two Treasurers. As an Organization we recognized the information we documented in our policies and procedures were not up to date and we have been updating our understanding of Organizational policies since mid 2022. To address the recordkeeping finding, we have hired an additional person (Joann) to assist our two person office with bookkeeping and reconciling our financials. With the additional staff member our recordkeeping should be improved to where we do not have coding issues or unreconciled items left in our accounting system.

We believe the strides we have taken since mid 2022 that we should no longer have the issues noted in the findings documented during the audit.

Sincerely,

Steve Zona

Stephen Zona

President

Florida Fraternal Order of Police