



**Office of Inspector General**  
**The Florida Endowment for Vocational Rehabilitation, Inc., dba The Able Trust – Administrative Costs**

**Report # A-1819DOE-021**

**June 2019**

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**Executive Summary**

In accordance with the Department of Education’s fiscal year (FY) 2018-2019 audit plan and per management request, the Office of Inspector General (OIG) conducted an audit of the administrative costs of the Florida Endowment for Vocational Rehabilitation, Inc., dba The Able Trust. The purpose of this audit was to ensure The Able Trust’s administrative costs were kept to the minimum amount necessary for the efficient and effective administration of the foundation and were limited to 15 percent of total estimated expenditures in accordance with section 413.615(9)(j), Florida Statutes.

During this audit, we noted that The Able Trust misinterpreted the Florida Statutes and subsequently reported total administrative costs inaccurately. For example, we cited instances where The Able Trust used partial percentages of the officer’s salary in their administrative costs calculation and excluded leave time when calculating the percentage of work time associated with administrative tasks. The Audit Results section below provides details of the instances noted during our audit.

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**Scope, Objectives, and Methodology**

The scope of our audit included administrative costs and calculations as defined in section 413.615(9)(j), Florida Statutes, for the period of July 1, 2017, through June 30, 2018. Our objective for the audit was to determine whether The Able Trust’s administrative costs complied with section 413.615, Florida Statutes.

In order to achieve the objective, we reviewed applicable laws, rules and regulations; interviewed appropriate department and The Able Trust personnel; and reviewed The Able Trust’s general ledgers, Independent Auditor Reports, administrative costs, time studies, and related documents.

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**Background**

The Florida Endowment for Vocational Rehabilitation, Inc., dba The Able Trust, is a 501(c)(3) public-private partnership foundation established in 1990 by the Florida Legislature. The Able Trust was created as a direct support organization of the Division of Vocational Rehabilitation, to encourage public and private support to enhance vocational rehabilitation and employment of

disabled citizens. The Able Trust's mission is to provide opportunities for gainful employment for Floridians with disabilities.

### Current Processes and Audit Results

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Finding: The Able Trust reported inaccurate administrative costs and percentages.

Section 413.615(9)(j), Florida Statutes states "Administrative costs shall be kept to the minimum amount necessary for the efficient and effective administration of the foundation and are limited to 15 percent of total estimated expenditures in any calendar year<sup>1</sup>. Administrative costs include payment of travel and per diem expenses of board members, officer salaries, chief executive officer program management, audits, salaries, or other costs for non-officers and contractors providing services that are not directly related to the mission of the foundation as described in subsection (5), costs of promoting the purposes of the foundation, and other allowable costs."

In order to calculate The Able Trust's FY 2017-18 administrative costs, we reviewed the general ledger, the working calculation of administrative expenses performed by The Able Trust, and the November 2018 Independent Auditor's Report. The administrative costs submitted by The Able Trust with the Independent Auditor's Report reflected a total of \$427,742.00 in administrative costs constituting 12% of the actual expenditures.

Upon review of the administrative costs submitted by The Able Trust, we noted the administrative calculation only included 25% of the chief executive officer's salary (CEO) as well as 50% of the board per diem and audited CEO program expenses. Per 413.615(9)(j), Florida Statutes, "Administrative costs include payment of travel and per diem expenses of board members, officer salaries, chief executive officer program management, audits..." Based on a review of the language of the Florida Statutes, we determined the total amount of officer salaries; payment of travel and per diem expenses of board members; CEO program management; and audits are administrative costs. We additionally noted the provided time studies excluded leave time; therefore, the time studies only allocated an average of 4%<sup>2</sup> of working expenditures to administrative activities.

We recalculated the administrative costs of the program using the numbers provided in the Independent Auditor's Report and included the total amount of officer salaries; payment of travel and per diem expenses of board members; CEO program management; and audits. Using the 4% allocation calculated by the independent auditor, we determined The Able Trust's administrative costs totaled 14.7% of the estimated budget expenditures and 17.1% of the actual expenditures. We additionally calculated the administrative costs including the CEO's time as an administrative cost and staff leave time. Based on this calculation, 21% of the working expenditures would be allocated to administrative costs and The Able Trust's total administrative

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<sup>1</sup> While 413.615(9)(j), Florida Statutes prescribes the calculation of estimated expenditures in any calendar year, The Able Trust calculates estimated expenditures and operates on a fiscal year basis. Therefore, our calculations were based on their fiscal year.

<sup>2</sup> Per section 200.414, Code of Federal Regulations – Indirect costs (c)(f) "Any non –Federal entity that has never received a negotiated indirect cost rate....may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. "

costs would rise to 15.5% of their estimated budget expenditures and 18% of their actual expenditures.

	Administrative Cost Calculation	Percentage of Total Estimated Budget Expenditures	Percentage of Total Actual Expenditures
The Able Trust FY Ending 6/30/2018	\$427,742	10%	12%
DOE Calculation Using and Average 4% of Expenses as Administrative	\$629,452	14.70%	17.1%
DOE Calculation Using an Average 21% of Expenses as Administrative	\$663,602	15.50%	18%

Misinterpretation of the Florida Statute and subsequently not including all administrative costs in the administrative cost calculation, leads to inaccurate reporting of administrative costs and could lead to noncompliance with the statutes.

**Recommendation**

We recommend The Able Trust enhance its procedures to ensure accurate calculation of administrative costs and maintain efficient and effective administration of the foundation, pursuant to section 413.615(9)(j), Florida Statutes. We also recommend The Able Trust ensure administrative costs are only paid from private sources and up to 75% of interest and earnings on the endowment principal for FY 2018-2019 in accordance with the Florida Statutes.

In order to more accurately align the language in section 413.615(9)(j), Florida Statutes, with The Able Trust’s operations, we additionally recommend that DVR propose to change the statutory language from calendar year to fiscal year and from estimated expenditures to actual expenditures.

**DVR Management Response**

VR will pursue a statutory language change during the 2020 Legislative Session to coincide with the IG recommendations.

**Able Trust Management Response**

The Able Trust management generally disagreed with our interpretation of the statute related to the officer’s salary. Please see Attachment A for their full response.

### Closing Comments

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The Office of the Inspector General would like to recognize and thank the Division of Vocational Rehabilitation and The Florida Endowment for Vocational Rehabilitation, Inc., dba The Able Trust for their assistance during the course of this audit. Our fieldwork was facilitated by the cooperation and assistance extended by all personnel involved.

*To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of section 20.055, F.S., and in accordance with the 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. The audit was conducted by Bradley Rich, MS and supervised by Tiffany Hurst, CIA, Audit Director.*

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## PRESIDENT/CEO

Susanne F. Hoggant, MBA, DPA

Memorandum Re:

From:

Date:

Response to DOE Office of Inspector General Report

The Able Trust

June 17, 2019

We are in receipt of your Report #A-1819DOE-021 regarding your analysis of the estimate of administrative costs of The Able Trust operations for FY 2019, which is July 1, 2018 – June 30, 2019 for our organization. We appreciated the professional approach and pleasant interaction with OIG staff members Bradley Rich and Tiffany Hurst, and thank them for accommodating our schedules.

As the analysis proceeded, it became apparent that OIG staff had a different interpretation of CEO compensation than was actually occurring in operations. Because The Able Trust is managed with a very small staff, leadership often takes on more than one job. The job description and title of the top staff person was President & CEO in FY 2019, which is two jobs. It was estimated by Able Trust that her time was devoted 75% to programs and 25% to administrative. Your report indicates you feel all of her time was administrative, with no adjustment for her time spent directly on programs, fundraising, business interaction to encourage placement for people with disabilities, etc. Comments on allocation of costs from independent auditors are attached. We are in the process of hiring a new President due to the retirement of the current President, and administrative tasks will be clarified in the contract of hire.

Staff leave time is included in their paychecks, thus allocating a percent of total salary to administrative costs is also allocating a percentage of paid leave to that category. Allocating leave time again and separately would be double-allocating that cost.

The allocation of Board costs at 50% recognizes that some of the work of the volunteer Board is program related and not administrative. For example, when a Board member is part of a grant program review or a grant award, we consider that cost to be non-administrative and made adjustments in our estimate. We understand that was not acceptable to the OIG audit staff.

The OIG calculation of administrative costs as required by the statute, is still under the 15% cap as indicated, using the allocation of the organization's independent auditors. The calculation only rises slightly above 15% when 100% of the top executive's salary is assumed by OIG to be administrative, which does not concur with the tasks and deliverables as assigned to that person by governance. As stated above, time allocations will be clarified in the new President's contract.

## Susanne Homant

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**From:** Dana Powell <dpowell@lrcm.com>  
**Sent:** Monday, May 20, 2019 11:36 AM  
**To:** Susanne Homant  
**Subject:** Schedule of Budgeted and Actual Expenses

**Importance:** High

Good morning Sue,

I would like to provide some clarification on the presentation of the Schedule of Budgeted to Actual Expenses included in the audited financial statements for the year ended June 30, 2018. The line item "Officer Salaries" of \$224,975 includes the full amount of your salary for the year. The break out of that amount and use of the terminology "officer" does not mean this is the portion of your time that is general and administrative or make a distinction of President vs. CEO duties. The break out by functional classification (program, fundraising and general and administrative) is done utilizing periodic time studies. The results of those time studies and the allocation of the total expenses are reflected in each column header on the schedule (grants and related expenses, public awareness, education and nongrant programs, fundraising and management and general). Based on the documented time studies, the portion of your total salary allocated to general and administrative for the year ended June 30, 2018 totaled \$8,999 (or 4%). Please let me know if I can provide any additional information. Thank you.

Dana D. Powell, CPA  
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