

Audit Highlights



Highlights of performance audit report on Horse Power issued on April 14, 2017.
Legislative Auditor report # LA18-08.

Background

Horse Power incorporated with the Secretary of State in 2005 as a non-profit organization. The Horse Power license plate was approved by the Commission on Special License Plates on October 19, 2006. In its presentation, Horse Power indicated license plate proceeds would be used as a philanthropic program to aid groups, organizations, and individuals that care for wild equine throughout the State of Nevada.

Horse Power receives almost all of its funding from its special license plate issued by the Department of Motor Vehicles. Plate holders pay \$62 in the initial year and \$25 each year thereafter, of which Horse Power receives \$30 and \$20, respectively. Horse Power has received nearly \$1 million in special license plate revenues since 2007.

Horse Power expended \$140,000 on program operations in fiscal year 2016. Slightly over half of the expenditures were for direct animal care since the program has evolved from providing financial aid to others to supporting an equine rescue facility.

Purpose of Audit

The purpose of this audit was to review the appropriateness of expenditures and evaluate whether Horse Power had adequate methods and procedures in place to ensure grants and expenditures benefit the intended recipient. The scope of our audit was fiscal years 2015 and 2016. As necessary, we included information from prior years to provide perspective on Horse Power's operations.

Audit Recommendations

This audit report contains 15 recommendations to reduce animal care expenditures and improve oversight of program and financial transactions. Horse Power accepted 12 recommendations and rejected 3.

Additionally, we have a recommendation for the Commission on Special License Plates to consider whether Horse Power is utilizing funding in a manner that meets its approved use.

Horse Power Special License Plate

Summary

Horse Power spends almost all of its special license plate funds to operate an equine rescue facility in Northern Nevada, leaving little funding left over to aid others who care for equine. The organization can take steps to reduce costs for this facility by purchasing feed at lower costs and by actively seeking to adopt out animals. Since Horse Power currently supports over 40 animals, reductions in feed costs and herd size can generate significant savings to serve more equine in the State through grant activities. Furthermore, the Horse Power Board has not provided effective oversight to ensure proper practices of financial administration. For example, the business purpose for fuel purchases was not documented, the Board did not follow its methods and procedures for monitoring debit card transactions, budgets did not contain sufficient details to oversee activities, and receipts were not provided for many expenditures.

Grant funding to organizations and individuals who care for equine has sharply declined in recent years as Horse Power has increasingly spent funding on the support of a rescue facility operated by the Executive Director. Because funding has been redirected to support more equine at the facility, it is questionable if Horse Power is meeting the original intent of establishing a philanthropic program to financially aid others who care for equine, as was approved by the Commission on Special License Plates in 2006. Furthermore, grant application and award processes are not sufficient to ensure opportunities are reaching potential grantees and applicants are treated fairly and consistently.

Key Findings

Horse Power could have reduced feed costs by an estimate \$5,000 for fiscal year 2016 simply by purchasing from other businesses who offered similar products at lower prices. Moreover, Horse Power can save significantly more if it considered purchasing feed in bulk quantities. Buying in bulk would reduce the frequency of delivery and could have saved between \$14,000 and \$24,000 in 2016 depending on the type of hay purchased. (page 6)

Horse Power did not have an effective adoption program to provide for an ongoing reduction in the size of the herd. Based on discussions with the Executive Director and a review of ownership documentation, the organization did not adopt out any horses to individuals during fiscal years 2015 and 2016. (page 7)

Horse Power did not provide any ownership records of equine at its facility even though we requested this information on multiple occasions. Therefore, we obtained available records from the Nevada Department of Agriculture. We found Horse Power has more equine at its facility than Nevada Department of Agriculture records reflect. (page 7)

The Executive Director did not document the business necessity of travel expenses when using a personal vehicle; therefore, the appropriateness of vehicle expenses could not be determined. For fiscal years 2015 and 2016, over \$5,400 in fuel and vehicle expenses was paid for by the Executive Director with a Horse Power debit card. Of this amount, \$4,400 was paid for fuel and \$1,000 was vehicle repairs. Documentation to support the business use of a personal vehicle is required by the Internal Revenue Service. (page 8)

Transactions made with a debit card were not monitored or approved by the Board as required in its methods and procedures. Debit card purchases are linked to Horse Power's bank account designated for operating expenses, and more than \$130,000 was paid by this method during fiscal years 2015 and 2016. Therefore, monitoring and approving these transactions is essential to ensuring expenditures are appropriate. (page 9)

Budgetary data submitted to the Board for review and approval is not sufficiently detailed to monitor and oversee the activities of the organization. The budget included a few percentages and no amounts. Additionally, the Board does not routinely receive and review periodic financial comparisons of budget to actual information. (page 10)

As Horse Power's revenues from the sale and renewal of special license plates has increased, the amount of money awarded to others has declined significantly. Specifically, grant expenditures have declined over 90% from a high of \$56,303 in calendar year 2009 to only \$4,825 in 2015. (page 14)

Horse Power's grant awarding process needs improvement to ensure fair and consistent treatment of applicants. For instance, the application process limits the number of applicants because: 1) publication of funding opportunities is limited, 2) application requirements are burdensome, and 3) timeframes to submit applications are short. Furthermore, the Board does not have adequate policies and procedures detailing the process, including types of funding awarded, review of applications, exceptions, and emergency grant qualifications. (page 17)