

Administrative Services Division

Audit Highlights



Highlights of Legislative Auditor report on the DMV & PS- Administrative Services Division, issued on January 17, 2002. Report # LA02-17.

Purpose of Audit

The purpose of this audit was to determine if revenues and expenditures were properly controlled and accounted for. Our audit included a review of the financial activities of the Administrative Services Division for the year ended December 31, 2000.

Audit Recommendations

This report contained six recommendations to improve controls over revenues and expenditures. Specifically, ASD should establish, document, and periodically review its system of internal accounting and administrative controls as required by statute. In addition, ASD should implement controls over the distribution of tax and fee revenue, including controls over spreadsheets used to calculate these distributions. Finally, ASD should establish controls to ensure refund calculations are correct, and reconcile credit card receipts to bank deposits.

The Division accepted all six audit recommendations.

Status of Recommendations

At its April 5, 2002 meeting, the Legislative Commission expressed concerns about the issues addressed in this audit; therefore, it requested the Legislative Auditor to communicate its concerns to the Governor, and emphasize the need for timely corrective action.

The Department of Administration submitted the six-month report on the status of audit recommendations on October 15, 2002. The report indicated progress had been made, but more work remained on several recommendations.

The six-month report indicated the Division's current automated system did not provide sufficient data for a reconciliation of tax and fee revenues. Although the system was being revised to provide this data, these modifications were not yet completed. Consequently, a full reconciliation of revenue collected to revenue distributed had not been accomplished.

Regarding credit card deposits, the six-month report indicated the Division had been unable to fully reconcile recorded amounts to corresponding bank deposits. The Division was working with the banks to resolve this problem.

The Audit Subcommittee requested agency representatives return to the next Subcommittee meeting to report on their progress.

Department of Motor Vehicles and Public Safety

Results in Brief

The Administrative Services Division (ASD) lacks adequate controls to ensure transactions are processed accurately and in accordance with laws and regulations. Because ASD did not periodically review its internal controls, serious deficiencies went undetected resulting in significant errors. These errors included inaccurate calculations affecting the distribution of millions of tax dollars to the state and local governments. Although in some instances ASD became aware of and corrected individual errors, weaknesses in the overall system of controls continue, increasing the risk errors will occur again.

Principal Findings

ASD's computer spreadsheet used to distribute sales tax revenue to the state's General Fund contained a formula error. Consequently, from October 1999 through May 2001, approximately \$9.5 million in sales tax revenue was not distributed to the General Fund.

During the period of April 2000 to October 2000, over \$3.9 million in governmental services tax collections were not properly distributed to counties. This occurred when the Department added payment options to help improve customer service and reduce wait times. These options included accepting payments at emission control stations, and over the Internet and telephone. However, ASD did not adjust computer spreadsheet formulas to include these additional collection points, and the revenues were not distributed.

ASD does not use consistent methods when allocating the governmental services tax to counties and school districts. In some instances, ASD used allocation percentages provided by counties, while other allocations were based on percentages provided by the Department of Taxation. This inconsistency increases the risk of allocations not complying with statutes.

Inadequate controls for processing Motor Carrier Section refunds resulted in undetected errors and incorrect refund checks. Errors occurred in three of the seven special fuel tax refunds we examined that originated from the Motor Carrier Section. One of the miscalculated refunds resulted in an overpayment of approximately \$172,000. The other two refund errors resulted in underpayments totaling approximately \$48,000. Although millions of dollars in refunds were processed, ASD did not review supporting documents to verify the refund amounts.

ASD does not have an adequate process to verify that deposits from credit card transactions, as recorded on the Department's computer system, agree to the amount deposited with the bank. This reconciliation is important because the Department receives over \$3.6 million in credit card receipts monthly. Any discrepancy between accounting records and the bank deposit should be investigated and resolved timely.