

**OKLAHOMA  
MOTOR  
VEHICLE  
COMMISSION**

**FOR THE PERIOD  
JANUARY 1, 2007 THROUGH  
DECEMBER 31, 2008**

**OPERATIONAL AUDIT**



Oklahoma State Auditor  
& Inspector

**Audit Report of the  
Oklahoma Motor Vehicle Commission**

**For the Period  
January 1, 2007 to December 31, 2008**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

March 17, 2009

## TO THE OKLAHOMA MOTOR VEHICLE COMMISSION

Pursuant to 74 O.S. § 212, transmitted herewith is the audit report for the Oklahoma Motor Vehicle Commission for the period January 1, 2007 to December 31, 2008. The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation to the agency's staff for the assistance and cooperation extended to our office during the course of our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA

STATE AUDITOR & INSPECTOR

**Mission Statement**

The mission of the Oklahoma Motor Vehicle Commission is to prevent frauds, impositions, and other abuses upon Oklahoma citizens; to preserve the franchise system of distribution; to prevent undue control of independent new motor vehicle dealers by manufacturers or distributors; and to prevent false and misleading advertising and unfair trade practices by its licensees.

**Board Members**

Bruce Barber ..... Chairman  
David Howe..... Vice Chairman  
Greg Cable..... Secretary  
Randy Coy..... Member  
Terry Reynolds ..... Member  
Charlotte Britton ..... Member  
Gene Chumbley ..... Member  
P. Mark Moore..... Member  
Stephen Kisse ..... Member

**Key Staff**

Roy Dockum .....Executive Director  
Marilyn Maxwell ..... Deputy Director  
D.J. Giabbai ..... Fiscal Administrative Officer

# Oklahoma Motor Vehicle Commission Operational Audit

## Background

The Oklahoma Motor Vehicle Commission (the Agency) was established by the Legislature in 1953 for the purpose of licensing and regulating the new motor vehicle industry to benefit the people of Oklahoma.

The Agency's operations are governed by 47 O.S. § 563 to 580.2, as well as Oklahoma Administrative Code Title 465.

The Oklahoma Motor Vehicle Commission is composed of nine members, all appointed by the governor with the advice and consent of the state senate. Seven of the members must have been engaged in the manufacture, distribution or sale of new motor vehicles for not less than ten years preceding appointment to the Commission. The remaining two members are lay members. In addition, six of the members must be from specific geographical areas within the state; the other three members are at-large members. Members serve at the pleasure of the governor. The term of office is six years.

Table 1 summarizes the Agency's sources and uses of funds for fiscal years 2007 and 2008.

	2007	2008
Sources:		
Motor Vehicle Licenses/Fees	\$311,049	\$264,899
Other Fines, Forfeits, Penalties	<u>2,150</u>	<u>19,800</u>
Total Sources	<u>\$313,199</u>	<u>\$284,699</u>
Uses:		
Personnel Services	\$245,973	\$246,252
Professional Services	49,622	45,099
Travel	15,158	13,263
Miscellaneous Administrative	12,940	12,290
Rent Expense	14,095	14,309
Other	<u>5,677</u>	<u>9,331</u>
Total Uses	<u>\$343,465</u>	<u>\$340,544</u>

Source: Oklahoma CORE Accounting System (unaudited; for informational purposes only)

## Authority, Purpose, and Scope

This audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector's Office to audit the books and accounts of state officers whose duty it is to collect, disburse or manage funds of the state.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

The audit period covered was January 1, 2007 through December 31, 2008.

**Objective 1 - To determine if the Agency's internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with 62 O.S. § 7.1.C.2.a, 62 O.S. § 7.1.E, 47 O.S. § 563.G, and 74 O.S. § 3601.2.**

**Conclusion**

The Agency's internal controls appear to provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records.

Compliance procedures were performed with regards to four laws:

- The agency did comply with 62 O.S. § 7.1.C.2.a - adequate safekeeping of receipts awaiting deposit;
- The agency did comply with 62 O.S. § 7.1.E - monthly transfers from the agency's clearing account and vouchers written from the clearing account;
- The agency did not comply with 47 O.S. § 563.G - 10% transfer of fees, fines and charges collected to the state general revenue fund, for the period of April 2007 to May 2008;
- The agency did comply with 74 O.S. § 3601.2 - limitation of the executive director's salary.

**Methodology**

To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting and expenditure processes;
- Tested controls, which included:
  - Determining the employee responsible for receiving the funds is independent of the person who issues the license;
  - Observing the Agency's depositing and licensing database to determine the license data agrees to the deposit data before a license can be issued;
  - Observing an employee enter the receipts into the deposit database to ensure the database would detect clerical errors;
  - Reviewing a random sample of three monthly Office of State Finance (OSF) Form 11 reconciliations to ensure they were independently reviewed, the reconciliation was mathematically accurate, the amounts reported on the reconciliation agreed to supporting documentation, and reconciling items appear reasonable;
  - Reviewing a random sample of 60 deposits to determine the CORE deposit amount traced and agreed to bank deposit slip and the deposit amount traced and agreed to the amount of licenses and fines received per the Agency's database;
  - Determining the employee responsible for posting expenditures is independent of the person who receives the warrants;
  - Reviewing a random sample of 25 expenditure claims to ensure they were properly and independently authorized. This included ensuring the invoice supported the payment, the invoice was mathematically accurate, the correct account code was used, the person approving the claim is not responsible for posting expenditures, and the expenditure appears reasonable given the Agency's mission.

## Oklahoma Motor Vehicle Commission Operational Audit

---

- Discussed with personnel and observed location where funds are retained prior to deposit to ensure they are adequately safeguarded as required by 62 O.S. § 7.1.C.2.a;
- Reviewed CORE deposits for the audit period to determine if transfers from the clearing account were occurring at least monthly as required by 62 O.S. § 7.1.E;
- Reviewed four vouchers written in July 2007 and June 2008 to ensure they were for refunds of erroneous or excessive collections and credits as authorized by 62 O.S. § 7.1.E;
- Recalculated the amount transferred to the state's general revenue fund to ensure 10% of all the fees, charges and fines collected and received by the agency were transferred as required by 47 O.S. § 563.G;
- Reviewed a random sample of payroll information for six months in the CORE accounting system to ensure the executive director's annual salary did not exceed the maximum limit set forth in 74 O.S. § 3601.2.

We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

### Observation

#### State General Revenue Fund Transfer

47 O.S. § 563.G states in part:

All fees, charges and fines collected under the provisions of this act shall be deposited by the Executive Director ...

At the close of each fiscal year, the Commission shall file with the Governor and the State Auditor and Inspector a true and correct report of all fees, fines, and charges collected and received by it during the preceding fiscal year and shall at the same time pay into the General Revenue Fund of the state a sum equal to ten percent (10%) of the fees, fines and charges so collected and received. (emphasis added)

During the period April 2007 to May 2008 the Agency failed to include the amount received for fines in the calculation of the 10% state general revenue fund transfer. The error appears to have resulted from a substitute employee excluding the fines from the calculation. The exclusion of these fines caused the 10% transfer to be understated and resulted in a shortage in the state general fund transfer of \$2,126.

### Recommendation

We recommend:

- The agency make an entry to transfer the shortage amount of \$2,126 to the state general fund; and
- The agency implements review procedures to ensure the transfer calculation is calculated correctly and adheres to state statutes.

**Views of Responsible  
Officials**

The Agency agrees that, as a result of the omission of fines in the calculations during the period when a substitute employee was performing the duty, the agency will transfer the shortage amount of \$2,126 to the general fund; and

As soon as the error in calculation was discovered in June 2008, procedures for all future calculations and payments were made in order to ensure that OMVC transfers the correct amount according to state statutes.





**OFFICE OF THE STATE AUDITOR AND INSPECTOR  
2300 N. LINCOLN BOULEVARD, ROOM 100  
OKLAHOMA CITY, OK 73105-4896**

**[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)**