

**OKLAHOMA MOTOR VEHICLE COMMISSION
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

May 20, 2004

**TO THE HONORABLE BRAD HENRY
GOVERNOR OF THE STATE OF OKLAHOMA**

Transmitted herewith is the Oklahoma Motor Vehicle Commission Internal Control Report for the fiscal year ended June 30, 2003. By its nature, this report focuses on weaknesses in controls. This focus should not be understood to mean there are not also various strengths and accomplishments.

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

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 to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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**OKLAHOMA MOTOR VEHICLE COMMISSION
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FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

COMMISSION MEMBERS

<u>Name</u>		<u>Term Expires</u>
Eugene Chumbley	Chairman	June 30, 2009
David Oakley	Vice-Chairman	June 30, 2005
Terry Reynolds	Secretary	June 30, 2009
Bob Howard	Member	June 30, 2007
Dan Mullins	Member	June 30, 2005
Marion Davidson	Member	June 30, 2005
Don Thornton	Member	June 30, 2007
Leonard Northcutt	Member	June 30, 2003
Walter Gillispie	Member	June 30, 2003

**ADMINISTRATIVE
STAFF**

Roy K. Dockum,
Executive Director

Marilyn Maxwell,
Deputy Director



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE OKLAHOMA MOTOR VEHICLE COMMISSION

We have applied the procedures enumerated below to certain aspects of internal control for the period July 1, 2002 through June 30, 2003.

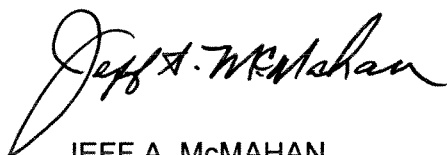
1. We reviewed management's internal controls over financial records and operations, and performed a walk-through of controls to determine whether they have been designed as represented by management. We reviewed controls in the following specific areas:
 - a. Cash receipting and depositing of funds.
 - b. Fixed Assets.
 - c. Recording of cash receipts, disbursement of funds, and reconciliation of funds.
 - d. Segregation of duties regarding authorization, recording, and custody.
2. We reviewed procedures for remitting required portions of fees to the State of Oklahoma and tested a sample of remittances for adherence to these procedures.
3. We reviewed the Commission's policies and procedures and tested compliance with such policies and procedures in the following specific areas:
 - a. Agency's compliance with policies and procedures regarding budgetary matters.
 - b. Agency's compliance with policies and procedures regarding personnel and payroll issues such as attendance record keeping, compensation increases, and annual evaluations.

The purpose of these procedures was to identify the internal controls designed or developed by the Oklahoma Motor Vehicle Commission, make recommendations in certain areas, and determine whether stated controls were operating as represented to us or if additional controls were necessary to reduce the risk of errors and irregularities.

Our procedures were more limited than would be necessary to express an opinion on any of the items referred to above or to express an opinion on the effectiveness of the Agency's internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or made an audit of the effectiveness of the Agency's internal controls, other matters might have come to our attention that would have been reported to you.

Our findings resulting from the above procedures are included in the attached comments and recommendations section of this report.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

April 30, 2004

COMMENTS AND RECOMMENDATIONS

Comment 2003-475-001

Criteria: Effective internal controls include policies and procedures that establish and sustain adequate segregation of duties to reduce the opportunity for any person(s) to both perpetrate and conceal errors and irregularities in the normal course of business practices.

Condition: Upon inquiry it came to our attention that the same person responsible for maintaining the record keeping of the Commission's fixed assets also shares and assists in performing a physical inventory count of fixed assets.

Effect: Undetected errors or irregularities could occur in the recording, processing, summarizing, and reporting of the Commission's fixed assets.

Recommendation: We recommend the Commission develop and implement written policies and procedures to provide for proper segregation of duties between job functions and duties.

Management's Corrective Action Plan--

Contact Person: Roy Dockum, Executive Director

Anticipated Completion Date: Already Implemented 9/1/03

Corrective Action Planned:

We will utilize a confirmation process, whereby each employee is given a list of assets that reside in their work area. Employees will perform the physical check and report any discrepancies in writing to the Fiscal Administrative Officer. The Deputy Director shall perform the physical check of assets in the Fiscal Administrative Officer's work area. After the Fiscal Administrative Officer finishes the inventory report, it shall be reviewed by the Executive Director. Official inventory checks are performed on an annual basis, however, being only a 4 person office in a 1200 square foot office space, visual spot checks are performed on a daily basis.

Comment 2003-475-002

Criteria: A basic objective of stewardship of governmental resources is to provide proper accounting for funds.

Condition: A monthly reconciliation is performed; however, it is not reviewed or approved by someone other than the preparer for Cash/Revenue.

Effect: Errors could occur and not be detected in a timely manner.

Recommendation: We recommend the Commission develop and implement controls to provide for independent review and approval of Cash/Revenue reconciliations.

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Management's Corrective Action Plan

Contact Person: Roy Dockum, Executive Director

Anticipated Completion Date: Already Implemented 8/1/03

Corrective Action Planned: The monthly deposits are performed by the Compliance Officer and reviewed on a weekly and monthly basis by the Deputy Director. The Fiscal Administrative Officer then examines and approves the daily deposits on a monthly basis. Upon receipt of the deposits report from the Treasurer's Office, the Fiscal Administrative Officer performs the monthly Reconciliation, and it will be reviewed and approved by either the Executive Director or the Deputy Director.