



OKLAHOMA MOTOR VEHICLE COMMISSION

Operational Audit

For the period July 1, 2013 through June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

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

**For the Period
July 1, 2013 through June 30, 2019**



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

December 5, 2019

TO THE OKLAHOMA MOTOR VEHICLE COMMISSION

We present the audit report of the Oklahoma Motor Vehicle Commission for the period July 1, 2013 through June 30, 2019. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

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.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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Background

The Oklahoma Motor Vehicle Commission (OMVC or Commission) 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 functions of the Commission are to license new motor vehicle dealers, salespersons, manufacturers, distributors, factory branches, distributor branches, and their representatives; regulate licensees by requiring compliance with laws and regulations relating to advertising, sales practices, and distribution; promote a positive experience for the consumer and dealer by providing helpful information in the sales transaction; investigate and assist consumers regarding complaints against any licensee; and provide hearings before the Commission according to OMVC statutes and rules.

The mission of the OMVC 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 vehicles by manufacturers or distributors; and to prevent false and misleading advertising and unfair trade practices by licensees.

Oversight is provided by nine commission members appointed by the governor with the advice and consent of the Senate. Each member serves a term of six years.

Commission members as of November 2019 are:

Curtis Hayes	Chair
Carol Carver.	Vice-Chair
Eric Stuteville.....	Member
Fred Malone.....	Member
Fred Harlan.....	Member
Megan Vance Ochs.	Member
Greg Cable	Member
Ervin Randle.....	Member
Jim Norton.	Member

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The following table summarizes the Commission's sources and uses of funds for fiscal years 2018 and 2019.

Sources and Uses of Funds for FY 2018 and FY 2019

	2018	2019
Sources:		
Motor Vehicle Comm. License/Fee	418,046	566,274
Total Sources	418,046	566,274
Uses:		
Personnel Services	394,016	402,574
Administrative Expenses	38,927	41,722
Professional Services	26,274	41,047
Travel	10,762	11,540
Total Uses	469,979	496,883

Source: Oklahoma Statewide Accounting System (unaudited, for informational purposes only)

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Scope and Methodology

Our 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 all state agencies 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.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period July 1, 2013 through June 30, 2019. Detailed audit procedures focused on the period of July 1, 2017 through June 30, 2019 addressing the most current financial processes and providing the most relevant and timely recommendations for management.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Motor Vehicle Commission operations. Further details regarding our methodology are included after the objective conclusion.

We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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OBJECTIVE

Determine whether the Commission's internal controls provide reasonable assurance that revenue and payroll expenditures were accurately reported in the accounting records.

Conclusion

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

Financial operations complied with the following statutes:

- 47 O.S. § 563(G) - 10% transfer of all gross fees charged, collected, and received to the state general revenue fund

Objective Methodology

To accomplish our objective, we performed the following:

- Evaluated processes and identified significant internal controls related to receipting and tested those controls, which included
 - Reviewing the commission database records and Form 11 reconciliations for all 12 months of FY18 and FY19, comparing licensing receipts to deposit reports. Both the commission records and the statewide accounting reports totaled \$1,210,001.50.
 - Reviewing a random sample of 30 deposit records from each FY18 and FY19 (60 of the 475 deposit records totaling \$148,938.50 of the \$1,210,001.50 or 12.6% of our population) to ensure the bank deposit receipts agree with the commission database records, deposits were appropriately posted to the statewide accounting system in a timely manner by someone independent of the receipting process, and the bank deposit receipts, deposit slips and statewide accounting system records all agree.
 - Reviewing a random sample of five OMES Form 11 reconciliations from each FY18 and FY19 (10 out of 24 months or 42% of the population) to ensure reconciliations agree to supporting documentation and were reviewed and approved by someone independent of the preparer as evidenced by the signature of the executive director.
- Evaluated processes and identified significant internal controls related to payroll expenditures and tested those controls, which included:
 - Reviewing a random sample of 5 monthly payroll claims from each FY18 and FY19 (10 out of 24 months or 42% of the population) along with supporting timesheets to

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- determine whether the payroll claim, and timesheets were reviewed and approved as evidenced by a signature of the executive director or his designee.
- Reviewing 100% of the payroll change documents with a financial impact for FY18 and FY19 to ensure the changes were properly documented and completed as appropriate and approved by the executive director or designee of the commission.
 - Determined compliance with 47 O.S. § 563 (G) – 10% Transfer of gross fees charged, collected, and received to the State General Revenue Fund, which included:
 - Recalculating the amount transferred to the state’s general revenue fund for all months during FY18 and FY19 and compared to records from the statewide accounting system to ensure 10% of all fees charged, collected, and received by the Commission were transferred as required by 47 O.S. § 563(G).

No findings were noted based on the results of our procedures.

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