

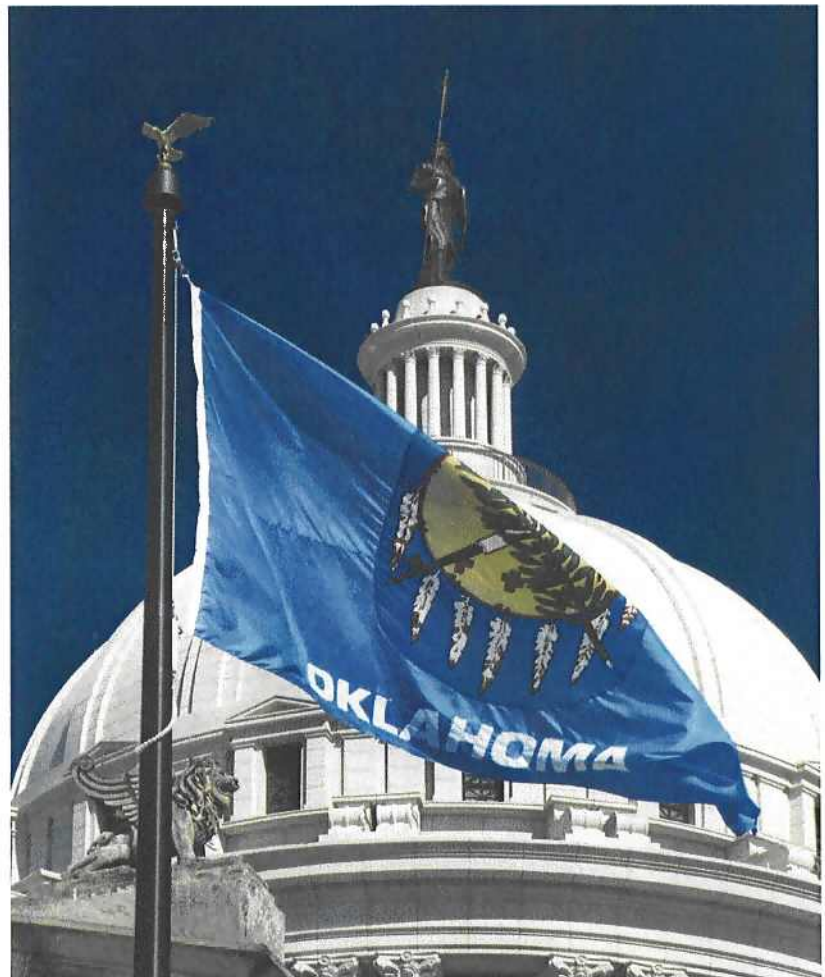


**STATE OF OKLAHOMA**  
**OFFICE OF THE STATE AUDITOR & INSPECTOR**

S  
T  
A  
T  
U  
T  
O  
R  
Y  
E  
X  
A  
M  
I  
N  
A  
T  
I  
O  
N

**USED MOTOR VEHICLE  
AND PARTS COMMISSION**

*JULY 1, 2003 THROUGH JUNE 30, 2004*



**JEFF A. McMAHAN, CFE**  
**OKLAHOMA STATE AUDITOR & INSPECTOR**

Used Motor Vehicle and Parts Commission  
Statutory Examination Report  
For the Period July 1, 2003 to June 30, 2004

---

This publication is printed and issued by the State Auditor and Inspector, as required by 74 O.S. §212. Pursuant to 74 O.S. §3105, 5 copies have been prepared and distributed at a cost of \$4.35. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

June 13, 2005

**TO THE MEMBERS OF THE USED MOTOR VEHICLE AND PARTS COMMISSION**

Transmitted herewith is the Statutory Examination Report for the Used Motor Vehicle and Parts Commission. The procedures we performed were conducted pursuant to 74 O.S. §212.

The Office of the State Auditor and Inspector is committed to serve 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,

JEFF A. McMAHAN  
State Auditor and Inspector

**Table of Contents**

Background, Commission Members and Key Staff..... ii

Report of the State Auditor and Inspector..... 1

Statement of Receipts, Disbursements and Changes in Cash ..... 2

Findings/Recommendations..... 3

Other Information..... 4

**Background**

The mission of Used Motor Vehicle and Parts Commission is to license and regulate used motor vehicle dealers, wholesale motor vehicle dealers, automotive dismantlers, rebuilders, and manufactured home dealers, manufacturers and installers; to create an atmosphere of fair competition among equally regulated dealers; and to protect the interests of the consuming public.

**Commission Members**

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRE DATE</u>
SAM GRUBB	CHAIRMAN	COTERMINOUS WITH THE GOVERNOR
JOHN VANCE	VICE CHAIRMAN, DISTRICT 5	JUNE 30, 2010
MARC CROW	COMMISSIONER, DISTRICT 1	JUNE 30, 2006
RALPH ROOKS	COMMISSIONER, DISTRICT 2	JUNE 30, 2008
DON HICKEY	COMMISSIONER, DISTRICT 3	JUNE 30, 2008
ROY BURCH	COMMISSIONER, DISTRICT 4	JUNE 30, 2008
JIM DAVIS	COMMISSIONER AT LARGE	JUNE 30, 2010
JOHN LONGACRE	COMMISSIONER AT LARGE	JUNE 30, 2006
ROY MURPHY	COMMISSIONER AT LARGE	JUNE 30, 2010
STEVE ROSS	COMMISSIONER AT LARGE	JUNE 30, 2006

**Key Staff**

JOHN MAILE.....	EXECUTIVE DIRECTOR
KENNETH WHITEHEAD.....	DEPUTY DIRECTOR
REBECCA THOMPSON.....	FINANCE OFFICER
JOHN LANCASTER.....	SENIOR INVESTIGATOR
LARRY MOODY.....	INVESTIGATOR
KERRY SPENCER.....	INVESTIGATOR
SHERRY CAMPBELL.....	ADMINISTRATIVE ASSISTANT
KRISTI ELAM.....	ADMINISTRATIVE ASSISTANT
JAMIE NOLAND.....	ADMINISTRATIVE ASSISTANT



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**TO THE MEMBERS OF THE USED MOTOR VEHICLE AND PARTS  
COMMISSION**

For the purpose of complying with 74 O.S. § 212, we have performed the following procedures for the fiscal year 2004:

1. We reviewed internal controls over cash, receipts, and disbursements.
2. We tested a sample of deposits to determine they were properly posted to the financial records and had adequate supporting documentation.
3. We tested a sample of disbursements to determine they were properly posted to the financial records and had adequate supporting documentation.
4. We performed analytical procedures to test the reasonableness of payroll disbursements.

We also prepared a Schedule of Receipts, Disbursements and Changes in Cash from information obtained from the statewide CORE accounting system. This schedule has been included for informational purposes only.

Our procedures were limited to those defined above and were less in scope 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 Used Motor Vehicle and Parts Commission'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.

Sincerely,

JEFF A. McMAHAN  
State Auditor and Inspector

May 17, 2005

## Used Motor Vehicle and Parts Commission

### SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FOR THE YEAR ENDED JUNE 30, 2004

**RECEIPTS:**

Used Motor Vehicle Dealer License	349,052
Mobile Home License	81,934
Auto Dismantler / Recyclers License	48,564
Buyers ID Card Fee	41,535
Used Motor Vehicle Salesman License	22,883
Other Fines, Forfeits, Penalties	5,580
Copies of Other Documents	1,309

Total Receipts 550,857

**DISBURSEMENTS:**

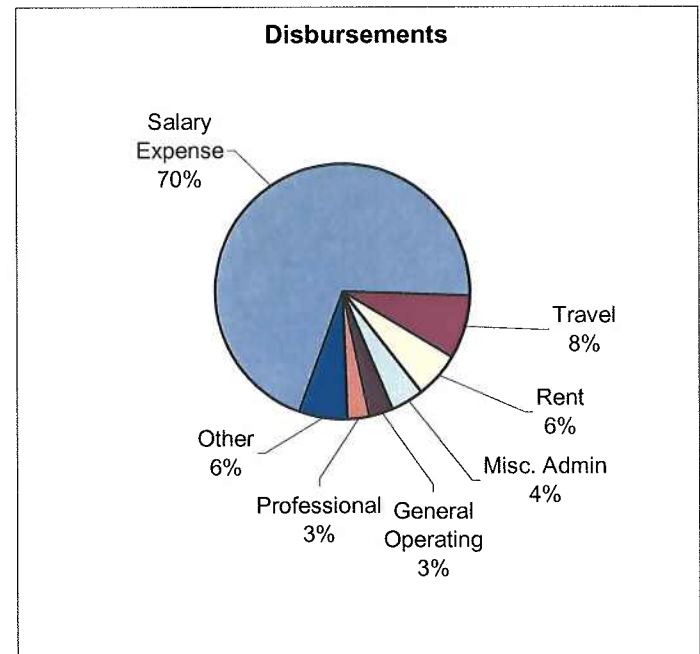
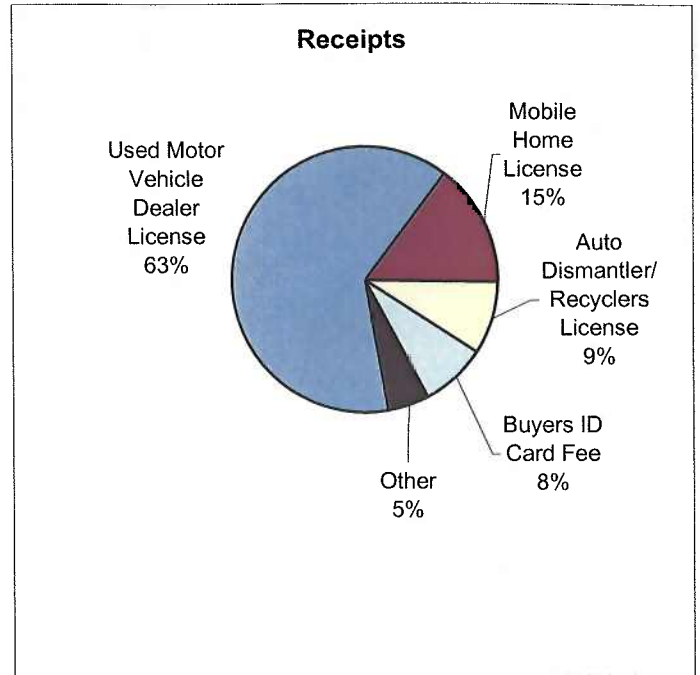
Salary Expense	448,162
Travel	53,540
Rent Expense	37,157
Misc. Administrative Expenses	22,524
General Operating Expenses	20,045
Professional Services	19,158
Other-Ref., Indemnities, Restitution	15,000
Office Furniture and Equipment	14,984
Inter/Intra Agency Pmts - Admin	4,581
Maintenance & Repair Expense	2,722

Total Disbursements 637,873

RECEIPTS OVER (UNDER)  
DISBURSEMENTS (87,016)

CASH - Beginning of year 563,911

CASH - End of year 476,895



### Findings/Recommendations

**Finding #1**

During our review of internal controls over disbursements, we noted the person responsible for preparing expenditure claims (recordkeeping function), is the same person who is responsible for purchasing goods and services and approving claims (authorization functions). If duties are not adequately segregated, errors and irregularities may occur and not be detected in a timely manner. To prevent this from occurring, we recommend the agency implement procedures to ensure duties are properly segregated.

**Management's Response:**

Because of the training required for processing claims and performing the purchasing function, it is a better use of limited personnel and personnel time to have the same person perform both functions. Both functions are approved and /or reviewed by at least one other person and reports of all expenditures are made to the Commission en banc.

**Finding #2**

During our test of deposits, we noted that deposits consisted of receipts greater than one hundred dollars, which were not deposited on the same day received. According to 62 O.S. § 7.1C1, receipts of One Hundred Dollars (\$100.00) or more shall be deposited on the same banking day as received. Therefore, we recommend the agency implement procedures to ensure compliance with 62 O.S. § 7.1C1.

**Management's Response:**

This agency accepts no payments in cash and restrictively endorses every check received immediately upon receipt. A copy of the check is made and inserted in the appropriate file. Checks are kept in a secure safe. Because of personnel limitations, it is not possible to do a deposit every day. Additionally, there are many days when the threshold sum of \$100.00 is not reached.

**Finding #3**

During our review of internal controls over cash receipts, we noted the agency did not perform true monthly reconciliations of the OSF (Office of State Finance)/agency balance to the OST (Office of State Treasurer) balance for its clearing account. The reconciliation reviewed has beginning and ending OSF/agency balances of \$-0-, which were not the true amounts. By not performing proper monthly reconciliations, the agency may not timely identify errors in its financial records. Therefore, we recommend the agency reflect the correct beginning and ending balances and reconciling items on the reconciliation of clearing account cash between OSF/agency and OST.

**Management's Response:**

As was stated to the auditor performing the review, the reconciliation has been changed to reflect actual amounts. However, the reconciliations done in FY-2004 were accepted by OSF without protest for at least 13 years prior, and accurately account for every dollar received. Errors were identified earlier under the previous method because reconciling to a \$0 balance required review of the total month's receipts at an earlier time than is done with the present method.

It is acknowledged that this agency and many other small agencies struggle to meet all requirements imposed by virtue of being a state agency. This agency, as other small agencies must do, must balance the divergent objectives of performing its essential function and rigidly adhering to every state edict. This agency's choices have been made with the purpose of performing both objectives in the most efficient manner which is not, but should be, noted or acknowledged by the Auditor's office.



## **Other Information**

### ***Clearing Account***

The Used Motor Vehicle and Parts Commission maintains a clearing account to deposit revenues collected on a daily basis. All items deposited into the clearing account are held there until such items have been honored by the paying entity. Once these items have been honored, the revenues are transferred for deposit into the agency's operating fund(s). The agency's clearing account had a cash balance of \$4,298 at June 30, 2004. As of this date, this amount had not yet been deposited into the agency's operating fund(s) and is not considered to be available to fund the agency's general operations. As a result, the clearing account's cash balance, revenues, and disbursements are not included in the accompanying Schedule of Receipts, Disbursements, and Changes in Cash Balance.

### ***Payments to the State General Revenue Fund***

In accordance with 47 § 582.F.2., the Used Motor Vehicle and Parts Commission shall remit 10% of all license and fee revenues received to the State of Oklahoma General Revenue Fund. During fiscal year 2004, the agency submitted \$61,206 to the State's General Revenue Fund. As previously discussed, the agency maintains a clearing account in which receipts are deposited. When the required deposit of monies is made to the State's General Revenue Fund, it is made directly from the agency's clearing account. As a result, these receipts and disbursements are not included in the accompanying Schedule of Receipts, Disbursements, and Changes in Cash.

**OFFICE OF THE STATE AUDITOR & INSPECTOR**  
**2300 NORTH LINCOLN BOULEVARD, ROOM 100**  
**OKLAHOMA CITY, OKLAHOMA 73105-4896**  
**405-521-3495**

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