

# OKLAHOMA USED MOTOR VEHICLE AND PARTS COMMISSION

FOR THE PERIOD  
JANUARY 1, 2006 THROUGH  
DECEMBER 31, 2007

# OPERATIONAL AUDIT



Oklahoma State Auditor  
& Inspector

**Audit Report of the  
Used Motor Vehicle and Parts Commission  
  
For the Period  
January 1, 2006 through December 31, 2007**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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December 2, 2008

## TO THE USED MOTOR VEHICLE AND PARTS COMMISSION

Pursuant to 74 O.S. § 212, transmitted herewith is the audit report for the Used Motor Vehicle and Parts Commission for the period January 1, 2006 through December 31, 2007. 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

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

## **Mission Statement**

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

## **Commission Members**

|                       |              |
|-----------------------|--------------|
| Sam Grubb.....        | Chair        |
| John Vance .....      | Vice-Chair   |
| Roy Burch.....        | Commissioner |
| Roy Murphy.....       | Commissioner |
| Jim Davis .....       | Commissioner |
| Ralph Rooks .....     | Commissioner |
| Steve Ross .....      | Commissioner |
| John Longacre .....   | Commissioner |
| Kerry Siegfried ..... | Commissioner |
| Don Mullins.....      | Commissioner |

## **Key Staff**

|                         |                           |
|-------------------------|---------------------------|
| John W. Maile .....     | Executive Director        |
| Kenneth Whitehead ..... | Deputy Director           |
| Jennifer Bates .....    | Administrative Supervisor |

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## TO THE USED MOTOR VEHICLE AND PARTS COMMISSION

We have audited the Used Motor Vehicle and Parts Commission for the period January 1, 2006 through December 31, 2007. The objectives of this audit were to determine if:

- The Commission's internal controls provided reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations;
- The Commission is in compliance with certain laws and regulations;
- Management's corrective actions for reportable conditions noted in prior year's report were implemented.


As part of our audit, we obtained an understanding of internal controls significant to the audit objectives and considered whether the specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of the design and operation of the controls. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of the laws and regulations significant to the audit objectives and assessed the risk that illegal acts, including fraud, violation of contracts, grant agreements, or other legal provisions could occur. Based on this risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the laws and regulations. However, providing an opinion on compliance with these laws and regulations was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

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.

  
STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

  
MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

November 7, 2008

## Used Motor Vehicle and Parts Commission Operational Audit

### **Background**

The Oklahoma Used Motor Vehicle and Parts Commission was created to provide licensing, regulation, inspection and dispute resolution for binding arbitration of used motor vehicle dealers, used motor vehicle salespersons, wholesale used motor vehicle dealers, dismantlers, manufactured home dealers, manufactured home manufacturers, and manufactured home installers. The Commission's operations are governed by 47 O.S. § 581 and OAC Title 765. Oversight is provided by a ten-member commission appointed by the Governor with the advice and consent of the Senate.

Table 1 summarizes the Commission's sources and uses of funds for fiscal years 2006 and 2007.

**Table 1-Sources and Uses of Funds for FY 2006 and FY 2007**

| Sources:  | 2006             | 2007             |
|---|------------------|------------------|
| Buyers ID Card Fee                                  | \$64,832         | \$56,255         |
| Mobile Home License                                 | 81,729           | 92,079           |
| Used Motor Vehicle Dealer License                   | 371,401          | 499,094          |
| Used Motor Vehicle Salesman License                 | 23,180           | 51,035           |
| Auto Dismantler/Recyclers License                   | 47,709           | 59,639           |
| Other Fines, Forfeits, Penalties                    | 22,504           | 84,530           |
| Payment of Services                                 | 15,833           | 1,667            |
| Local Court Funds                                   | 10,000           | 0                |
| Copies of Other Documents                           | <u>1,890</u>     | <u>2,885</u>     |
| Total Sources                                       | <u>\$639,078</u> | <u>\$847,184</u> |
|   |                  |                  |
| Uses:   |                  |                  |
| Salary Expense                                      | \$336,816        | \$334,347        |
| Insurance – Premium – Health – Life                 | 84,440           | 92,981           |
| FICA – Retirement Contributions                     | 65,960           | 66,990           |
| Professional Services                               | 22,000           | 25,365           |
| Inter/Intra Agency Payments – Professional Services | 390              | 32               |
| Travel – Reimbursements                             | 51,636           | 53,822           |
| Travel – Agency Direct Payments                     | 948              | 1,460            |
| Miscellaneous Administrative Expense                | 31,654           | 29,568           |
| Rent Expense  | 34,316           | 34,496           |
| Maintenance and Repair Expense                      | 3,114            | 1,676            |
| Production, Safety, Security Expense                | 0                | 154              |
| General Operating Expense                           | 17,810           | 21,992           |
| Office Furniture and Equipment                      | 19,614           | 6,418            |
| Refunds, Indemnities, Restitution                   | <u>0</u>         | <u>15,000</u>    |
| Total Uses  | <u>\$668,698</u> | <u>\$684,301</u> |

*Source: Oklahoma CORE Accounting System (unaudited; for informational purpose only).*



## Used Motor Vehicle and Parts Commission Operational Audit

**Objective 1 – Determine if the Commission’s internal controls provided reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations.**

**Conclusion** The Commission’s internal controls generally provided reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations.

**Methodology** To accomplish our objective, we performed the following:

- Documented internal controls related to the receipt and expenditure processes;
- Tested controls which included:
  - Determining if receipts were stored in a secure location prior to deposit;
  - Reviewing 25 deposits to ensure:
    - Monies were deposited within one day of receipt;
    - Checks were recorded on the internal ledger and agreed to the daily entries from MS Access and the deposit slips;
    - Copies of the checks agreed to the deposit slip, general ledger, and MS Access;
    - Checks were endorsed for deposit only;
    - The fund type in CORE agreed to the CAFR fund type listing;
    - The nature of the deposit agreed to the account code description.
  - Reviewing 25 expenditures to determine:
    - Disbursements were approved at the executive level;
    - Original invoices were maintained;
    - Invoice amounts matched the voucher amount and were mathematically accurate;
    - The nature of the purchase was consistent with the account code description.
  - Reviewing 3 PikePass expenditures to determine:
    - Supporting documentation agreed with the PikePass invoices;
    - PikePass usage appeared to be during normal working hours;
    - PikePass invoices agreed with the travel claims and the employee was not reimbursed for tolls.
  - Reviewing 3 months of disbursements to determine the disbursements reconcile with the monthly expenditure reports.

**Objective 2 – Determine compliance with certain laws and regulations.**

**Conclusion** The Board is in compliance with 74 O.S. § 3601.2, which sets limits on the executive director’s salary.

## Used Motor Vehicle and Parts Commission Operational Audit

**Methodology** To accomplish our objective, we compared the executive director's salary from the payroll funding sheet to the appropriate state statute.

### Objective 3 – Determine the status of management's corrective actions for reportable conditions noted in prior year's report.

**Conclusion** The prior period's report contained four recommendations that were considered significant within the context of the audit objectives. It appears two were implemented.

**Methodology** To accomplish our objective, we performed the following:

- Documented and reviewed controls for the receipt and deposit process to determine if duties were being properly segregated;
- Discussed with personnel the implementation of formal policies and procedures that include at a minimum:
  - Daily operations of the agency;
  - Handling insufficient funds;
  - Supervisory review of timesheets;
  - Ethical behavior of employees;
  - Cellular phone usage.
- Discussed with personnel and reviewed timesheets to ensure a formal supervisory review exists.

### Observations

#### No Written Policies and Procedures

An entity should have policies in place that are designed to provide reasonable assurance regarding the achievement of financial reporting, efficiency of operations, and compliance with laws and regulations.

During our assessment of internal controls, we noted the Commission has not developed and/or implemented official policies and procedures for the daily operations of the office.

Without written policies and procedures, the Commission's directives may not be clear.

**Recommendation:** We recommend the Commission develop and implement policies and procedures regarding their daily operations.

### Views of Responsible Officials

Necessary and relevant policy and procedures have been documented in individual memos disbursed to the employees. As needs arise further memos are issued. Copies of all memos are retained. The agency does not have a formal bound policy and procedures manual at this time.

#### Improper Timesheet Approval Process

An effective internal control system provides for accurate and reliable records. During a review of control processes regarding timesheet reporting, we noted timesheets were not approved to ensure the timesheet contained accurate information. Without proper approvals, errors and improprieties may occur and go undetected.

**Recommendation:** We recommend all timesheets be reviewed and approved to ensure the timesheet contains accurate information.



## Used Motor Vehicle and Parts Commission Operational Audit

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### Views of Responsible Officials

Timesheets have always been turned in to the Administrative Supervisor or the Deputy Director. Over a period of years Administrative staff has used a time clock to accurately report employees' time on a weekly basis, and the timecards are turned in with a cumulative monthly log. Investigative staff operates outside of the agency's office and are required to record their time and submit a weekly log to their supervisor. All original documents are maintained in each employee's file. Timesheets and timecards are reviewed for accuracy and entered into an agency master log. Since July 1, 2008, time sheets are submitted each Monday, verified for accuracy with the signature of the employee and an executive level's signature. Master logs are submitted to Tonya Holman, Payroll Specialist, at the Office of Personnel Management on a monthly basis to maintain the records for the agency. The new process should adequately address any concerns regarding errors or irregularities occurring within the agency.

### Other items noted

#### Commission Should Develop Cellular Phone Policy

The Commission had six cell phones during our period. There is no policy in place related to the assignment and use of the phones.

**Recommendation:** We recommend policy be developed and implemented which, at a minimum, includes:

- Personal use (limitations on frequency);
- Necessity of a phone based on job duties;
- Size of plan (minutes/features required).

### Views of Responsible Officials

The Commission had six cell phones during the audit period. Since cell phones were first implemented the number has remained the same. In January 2004, a written policy addressing personal use was distributed to each person who had been issued a cell phone. During a more recent audit the agency was advised by the Auditor that personal use could be permitted as long as the minutes did not exceed the monthly plan. Each employee was advised they would be required to reimburse the state for any additional overage charges. A written addendum to the original policy will be distributed clarifying this process.

The agency has only issued phones to executive level personnel and the three field investigators within the agency. Due to the small size of the agency, executive level personnel need to be available at all times and the field investigators need to be able to communicate with the agency during times when no phones are available.

The agency maintains only the minimum amount of plan minutes necessary for the performance of its duties. The phones are included in the basic plan, without additional cost or features, as set forth by the Department of Central Service's statewide contract with the vendor.

In addition, during the time this agency has used cell phones there has not been a violation or abuse of policy.



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