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CITIZENS SUMMARY

Findings in the audit of the Monroe City Contract License Office

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| Background | The Department of Revenue (DOR) has appointed 178 contract agents to operate contract license offices across the state. These offices issue driver licenses; titles for motor vehicles, trailers, and marine craft; and license plates. Contract agents are compensated through transaction-based processing fees. Under a state law, which became effective in 2009, the state auditor may audit contract license offices. |
| Sales Tax Transactions | Contract license offices collect sales and use taxes based upon the purchase price of the vehicle being titled, less any applicable credits. DOR procedures require the offices to retain documentation to support the net purchase price and requires office staff to use a DOR approved source to determine the estimated fair market value if the documentation is not sufficient or the purchase price is questionably low. License office personnel determine the sales tax rate to be charged based on the taxpayer's address. License office personnel did not retain sufficient documentation to support the purchase price for 3 of 23 (13 percent) transactions reviewed. For 1 of 19 (5 percent) transactions reviewed that had addresses in the Department of Revenue computer system, license office staff charged a lower tax rate (Ralls County rate) than required (City of O'Fallon rate), based on the taxpayer's address. |
| Segregation of Duties | The license office does not have adequate segregation of duties and there is no documented oversight by the contract agent. The office has 1 main employee who is responsible for multiple duties, including receiving monies, recording receipts and transactions in the accounting system, reconciling the bank account to the accounting records, and maintaining the inventory. There is no evidence that the contract agent reviews this work, which increases the risk of loss or misuse of funds. |
| Prepayment Void Transactions | Prepayment void transactions occur when transactions are voided before payment is made, such as when the customer lacks sufficient funds or the entry has incorrect information. DOR procedures require a supervisory review of voided transactions and customer acknowledgement if a new transaction is not completed or is for a lesser amount. The license office contract manager or contract agent did not document approval for all 10 prepayment void transactions that occurred from March 12 to March 26, 2015, and license office personnel did not obtain customer acknowledgment for 3 applicable transactions. |

Accounting Controls and Procedures

The license office did not always accurately record the method of payment (cash, check, or credit card) and did not reconcile the composition of monies received to deposits. The composition of receipts did not match the composition of deposits for 5 deposits reviewed. In addition, the license office did not maintain manual receipt slips for driving record purchases, which are processed outside of the computer system.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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