



**Thomas A. Schweich**  
Missouri State Auditor

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## REVENUE

# Cape Girardeau Contract License Office

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November 2012  
Report No. 2012-134



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Cape Girardeau Contract License Office

Background	The Department of Revenue has appointed 183 contract agents to operate contract license offices. 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.
Prepayment Void Transactions	Department of Revenue official procedures require void transactions be reviewed and approved by a supervisor and/or manager, but the Cape Girardeau contract license office manager did not document approval for 7 of 14 (50 percent) void transactions that occurred from March 13 to March 19, 2012. A supervisory review of voided transactions helps ensure transactions were voided for a valid reason.
Statutory Compliance	The Cape Girardeau contract license office does not always ask customers if they want to donate to the Blindness Education, Screening, and Treatment Program Fund or the Organ Donor Program Fund, and it does not always inform customers about the ability to be included in the organ donor registry and to consent to organ donation.
Accounting Controls and Procedures	The Cape Girardeau contract 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.

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

American Recovery and Reinvestment Act (Federal Stimulus)	The Cape Girardeau contract license office did not receive any federal stimulus monies during the audited time period.
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\*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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# Department of Revenue

## Cape Girardeau Contract License Office

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor  
and

Alana M. Barragán-Scott, Director  
Department of Revenue  
Jefferson City, Missouri  
and

Southeast Missouri University Foundation, Contract Agent  
Cape Girardeau Contract License Office  
Cape Girardeau, Missouri

We have audited certain operations maintained and established by the Cape Girardeau Contract License Office, as provided by Section 136.055, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the office's internal controls related to the handling of various fee and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Department of Revenue's management and was not subjected to the procedures applied in our audit of the contract office.

For the areas audited, we identified (1) deficiencies in internal controls, and (2) noncompliance with a statutory provision.

The accompanying Management Advisory Report presents our findings arising from our audit of the Cape Girardeau Contract License Office.



Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Robyn Vogt, M.Acct., CPA
Audit Staff:	Rachelle Thompson

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Cape Girardeau Contract License Office  
Management Advisory Report - State Auditor's Findings

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**1. Prepayment Void Transactions**

The Cape Girardeau license office needs to improve controls over prepayment void transactions.

A prepayment void transaction occurs when a transaction is entered in the Titling and Registration Intranet Processing System (TRIPS) but is voided before payment is made. Valid reasons for prepayment void transactions include entries that contain an incorrectly spelled name, a transfer on death erroneously left off the title, or an incorrect address or date of purchase; and when customers lack sufficient funds to pay the transaction.

The office manager did not document approval for 7 of 14 (50 percent) void transactions that occurred from March 13 to March 19, 2012. Department of Revenue (DOR) official procedures require void transactions be reviewed and approved by a supervisor and/or manager.

A supervisory review of voided transactions helps ensure transactions actually were voided for a valid reason.

**Recommendation**

The Cape Girardeau Contract License Office ensure all prepayment void transactions are reviewed and approved by office management.

**Auditee's Response**

*The office manager did document findings for every prepayment void on each cashiers report but did not place her initials on seven (7) transactions during the period audited. The office manager or office supervisor, in the office manager's absence, will document and initial each prepayment void. We will re-examine the prepayment void file weekly to verify compliance. The state field representative has found our office compliant during his monthly visits since the audit.*

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**2. Statutory Compliance**

The Cape Girardeau license office does not always inquire if customers want to donate to the Blindness Education, Screening, and Treatment Program Fund (BESTPF) and the Organ Donor Program Fund (ODPF), or inform customers of the ability to be included in the organ donor registry and to consent to organ donation.

During our audit work in the office, we noted office staff frequently did not ask customers if they wanted to donate to these funds, or inform customers about organ donations. A Yes or No to the donation questions must be recorded in TRIPS to complete transactions. As a result, staff appear to be automatically entering a No to those questions.

Sections 301.020 and 302.171, RSMo, require personnel to inquire whether customers registering a motor vehicle and applying for a driver's license are interested in making a \$1 donation to the BESTPF and to the ODPF. In addition, Section 302.171, RSMo, requires personnel to inform customers applying for a driver's license of the ability to be included in the organ



donor registry and to consent to organ donation by completing the form on the back of the driver's license.

## Recommendation

The Cape Girardeau Contract License Office ensure staff inquire of each customer whether the customer is interested in making a \$1 donation to the BESTPF and to the ODPF, and inform customers of the ability to be included in the organ donor registry and to consent to organ donation.

## Auditee's Response

*The office staff has been made aware that they must ask the donation questions for the Blindness Awareness and Organ Donor Program Funds. The office has seen the donation totals increase since the months following the audit. Clerks do inform customers of the ability to be included in the organ donor registry as required by state law. The Cape License Office had an enrollment average of 44%, compared to the state license offices average of 38% per the Organ Donor Program Website.*

## 3. Accounting Controls and Procedures

The Cape Girardeau license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2012, the office collected and remitted to the DOR approximately \$4.3 million.

The license office did not always accurately record the method of payment (cash, check, and credit card) in the accounting records and did not reconcile the composition of monies received to deposits. For example, the composition of deposits did not agree to the composition of receipts recorded for the three deposits made from March 13 to March 15, 2012, and the May 15 and May 16, 2012, deposits. A review of these deposits identified transactions marked as paid with cash when actually paid for by credit card, credit card payments recorded as cash and/or checks, and checks recorded as cash and/or credit card payments.

DOR official procedures for license offices provide that the composition of monies received should be reconciled to the accounting records and to deposits. Discrepancies between accounting records and deposits result in less assurance of proper handling.

## Recommendation

The Cape Girardeau Contract License Office ensure the correct method of payment is recorded in the accounting records and the composition of monies received is reconciled to the accounting records and to deposits.

## Auditee's Response

*The computer program used by the state requires a clerk to select the method of payment from a drop down box. A clerk may select the wrong method of payment in error, causing an "X" to appear when closing her drawer at the end of day. The clerks have always marked the method(s) of payment on our copy of the transactions. We have now started to notate on our paperwork if we realize that a wrong method of payment has been*



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Management Advisory Report - State Auditor's Finding

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*entered into the computer system in order to reconcile our cashier reports and monies per the auditor's request.*

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# Department of Revenue

## Cape Girardeau Contract License Office

### Organization and Statistical Information

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Pursuant to Section 136.030(2), the Department of Revenue (DOR) has the authority and responsibility for the collection of motor vehicle registration fees, driver license fees, motor vehicle sales and use tax, and all other taxes. Pursuant to Section 136.055, RSMo, the director of the DOR has appointed 183 contract agents to operate contract license offices. This section also provides that the state auditor may audit the contract license offices. The DOR, License Office Bureau, under the management of the Motor Vehicle and Driver Licensing Division, is responsible for administering contract license offices throughout the state.

The contract license offices are awarded through a competitive bidding process, as required by Section 136.055.2, RSMo. This bidding process must give priority to organizations and entities that are exempt from taxation (not-for-profit) under the Internal Revenue Code, and political subdivisions such as municipalities, counties, and fire protection districts. Contracts for the license offices are typically for one year, with three one-year renewal periods. The contract may be canceled at the discretion of the DOR.

The contract license offices issue titles for all Missouri motor vehicles, trailers, and marine craft; and issue and sell a wide-range of standard, personalized, and specialty license plates which can be classified into five major categories: passenger, truck, trailer, motorcycle, and bus. In addition, the contract license offices issue five basic types of driver licenses: Intermediate License (GDL), Class F (Operator), Class E (For-Hire), Class A, B, and C (Commercial), and Class M (Motorcycle). The licensing process also includes allowing customers to contribute to the organ donor program or blindness awareness fund, register with the selective services, and add endorsements or restrictions to licenses; and provides an opportunity to register to vote.

The contract agents do not receive compensation from the DOR, but do receive the following fees, allowed by Section 136.055.1, RSMo, from customers for each type of transaction processed by the office.

#### Agent Fees

Transaction Type	Fee
License renewal	\$3.50 one year \$7.00 two years
Transfer of registration	\$3.50
Application or transfer of title	\$2.50
Driver, operator or chauffeur license	\$2.50 three years or less \$5.00 exceeding three years
Notice of lien	\$2.50

In February 2009, the bid solicitation for the Cape Girardeau Contract License Office was issued. The office was awarded to the Southeast Missouri University Foundation, effective June 26, 2009. At June 30, 2012,



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Organization and Statistical Information

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the contract and office managers were William Holland and Sarabeth Moore, respectively.

For the year ended June 30, 2012, the office collected and remitted to the DOR \$4,324,532, and retained processing fees totaling \$239,558. Additionally, as part of the bidding process, the office agreed to return 2 percent of its processing fees to the state. For the year ended June 30, 2012, the office returned processing fees, totaling \$4,818, to the state.

American Recovery and  
Reinvestment Act 2009  
(Federal Stimulus)

The Cape Girardeau Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2012.