



Office of Missouri State Auditor
Nicole Galloway, CPA

Summary of Audit Findings
Department of Revenue -
Contract License Offices



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Summary of findings in audits of Department of Revenue - Contract License Offices

Sales Tax Transactions	The license office did not always properly document or accurately process sales tax transactions. The license office did not always retain adequate documentation to support purchase price amounts on vehicle sales tax transactions. License office personnel erroneously processed transactions in the computerized system, causing incorrect net purchase price amounts to be used when calculating taxes due. Personnel sometimes used inaccurate purchase prices or incorrectly applied or excluded credits. License office personnel sometimes charged a lower tax rate than required based on the taxpayer's address, thereby reducing total tax collections.
Segregation of Duties	The license office did not have adequate segregation of duties, and there was no documented oversight by the contract agent.
Prepayment Void Transactions	Prepayment void transactions were not always properly handled. License office management personnel did not always perform independent supervisory reviews for prepayment void transactions. License office personnel did not always document the reasons for voiding transactions prior to payment or obtain customer acknowledgement for applicable transactions.
Accounting Controls and Procedures	The license office did not always accurately record the method of payment (cash, check, or credit card) in the accounting records and did not reconcile the composition of monies received to deposits. The license office did not always make intact deposits. The license office did not issue manual receipt slips for driving record sales or always record the method of payment on manual receipt slips.
Contract Compliance	The license office did not always accurately update perpetual inventory records for items such as license plates, tabs, decals, and permits.
Statutory Compliance	License office personnel did not normally ask if customers wanted to donate to the organ donor program, blindness awareness program, and/or the World War I Memorial Trust Fund, as required by state law.
No Fee Identification Log	The license office did not record some identification cards issued for no fees on the office log, as required by the DOR.

Due to the nature of this report, no rating has been provided.

Summary of Audit Findings

Department of Revenue - Contract License Offices

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

Honorable Eric R. Greitens, Governor
and
Members of the General Assembly
and
Joel W. Walters, Director
Department of Revenue
Jefferson City, Missouri

This report was compiled using contract license office audit reports issued by my office between May 2015 and August 2017 (report numbers 2015-027 through 2015-135, 2016-001 through 2016-147, and 2017-001 through 2017-091). The objective of this report was to summarize recent audit issues and recommendations regarding operations of license offices contracted by the Department of Revenue.

The recommendations address a variety of topics including sales tax transactions, segregation of duties, prepayment void transactions, accounting controls and procedures, contract compliance, statutory compliance, and no fee identification logs. The Appendix lists the 23 reports with findings covering these topics.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

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Summary of Audit Findings

Department of Revenue - Contract License Offices

Management Advisory Report - State Auditor's Findings

1. Sales Tax Transactions

The license office did not always properly document or accurately process sales tax transactions.

Contract license offices collect sales and use taxes from taxpayers who are titling a vehicle. These taxes are based on the purchase price of the vehicle less any applicable credits, such as for selling or trading in another vehicle.

1.1 Purchase price documentation

The license office did not always retain adequate documentation to support purchase price amounts on vehicle sales tax transactions. For some transactions, the purchase prices used were questionably low, but license office staff did not obtain a notarized bill of sale to support the purchase prices.

The Department of Revenue (DOR) official procedures require the retention of documentation to support the net purchase price for all sales and use tax transactions. If the documentation is not sufficient to support the purchase price or the purchase price is questionably low, DOR official procedures require license office staff to use a DOR approved source to determine the estimated fair market value. If the estimated fair market value is not similar to the price claimed by the taxpayer, a notarized bill of sale from the seller is required or the estimated fair market value must be used by license office staff to calculate the sales tax due.

To ensure the purchase price is accurate, the license office should comply with DOR procedures requiring adequate documentation of purchase prices.

Recommendation

The license office ensure compliance with DOR procedures requiring adequate documentation to support the purchase price for vehicle sales and use tax transactions.

Report source

2015-107 (Monroe City)
2015-109 (Warrenton)
2016-078 (Perryville)
2016-081 (Warrensburg)
2016-092 (Grandview)

1.2 Processing errors

License office personnel erroneously processed transactions in the computerized system, causing incorrect net purchase price amounts to be used when calculating taxes due. Personnel sometimes used inaccurate purchase prices or incorrectly applied or excluded credits.

To ensure the proper sales tax amounts are charged to customers, the license office should ensure sales tax transactions are verified and properly entered into the computerized system.



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Management Advisory Report - State Auditor's Findings

Recommendation The license office verify documentation and ensure accurate entry of sales tax transactions in the computerized system before processing taxes due.

Report source 2015-108 (St. Charles)
2015-109 (Warrenton)
2016-078 (Perryville)
2016-092 (Grandview)

1.3 Sales tax rates License office personnel sometimes charged a lower sales tax rate than required based on the taxpayer's address, thereby reducing total tax collections.

To ensure the proper tax rates are charged, the license office should verify the taxpayer's address in the computerized system.

Recommendation The license office ensure the correct sales tax rate for the taxpayer's address is charged.

Report source 2015-107 (Monroe City)

2. Segregation of Duties

The license office did not have adequate segregation of duties, and there was no documented oversight by the contract agent.

The office manager was responsible for nearly all operation and management functions. Although DOR personnel periodically reviewed and evaluated the contract office procedures and records, there was no evidence the contract agent or another independent individual provided adequate supervision or review of the work performed by the office manager.

To reduce the risk of loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, the contract agent or another independent individual should review the work performed by the office manager and investigate any unusual transactions.

Recommendation The license office ensure a supervisory or independent review of the work performed by the office manager is completed, and investigate unusual items and variances.

Report source 2015-107 (Monroe City)

3. Prepayment Void Transactions

Prepayment void transactions were not always properly handled.

A prepayment void transaction occurs when a transaction is entered in the Titling and Registration Intranet Processing System (TRIPS) but is voided



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before the payment is made. Valid reasons for prepayment void transactions include when customers lack sufficient funds to pay for the transaction, and entries with incorrect information.

3.1 Independent supervisory review

License office management personnel did not always perform independent supervisory reviews for prepayment void transactions. In some instances, a supervisor reviewed and approved his or her own transaction.

The DOR official procedures require an independent supervisory review of voided transactions. Independent supervisory reviews help ensure the transactions were voided for a valid reason.

Recommendation

The license office ensure all prepayment void transactions are reviewed and approved by a supervisor independent of the original transaction.

Report source

- 2015-107 (Monroe City)
- 2016-078 (Perryville)
- 2016-082 (Savannah)
- 2016-091 (De Soto)
- 2017-037 (Fayette)
- 2017-061 (Monett)
- 2017-063 (Hermann)
- 2017-070 (Hannibal)

3.2 Supporting documentation

License office personnel did not always document the reasons for voiding transactions prior to payment or obtain customer acknowledgment for applicable transactions.

DOR official procedures require documentation be maintained for all prepayment void transactions. DOR official procedures also require a documented reason for voiding a transaction, and customer acknowledgment of a void transaction if a new transaction is not completed or is for a lesser amount. Maintaining appropriate documentation, including documenting the reason for voiding a transaction and obtaining customer acknowledgment, help ensure the transaction was voided for a valid reason.

Recommendation

The license office ensure all prepayment void documentation is maintained, including the reason for the void transaction and customer acknowledgment, when applicable.

Report source

- 2015-105 (Carthage)
- 2015-106 (Kirksville)
- 2015-107 (Monroe City)
- 2016-078 (Perryville)
- 2016-091 (De Soto)
- 2016-092 (Grandview)



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Management Advisory Report - State Auditor's Findings

2017-037 (Fayette)
2017-038 (Ellington)
2017-061 (Monett)
2017-063 (Hermann)
2017-070 (Hannibal)
2017-076 (Oakville)
2017-080 (Wentzville)

4. Accounting Controls and Procedures

The license office did not have adequate controls and procedures over monies collected.

4.1 Payment composition and reconciliation

The license office did not always accurately record the method of payment (cash, check, or credit card) in the accounting records and did not reconcile the composition of monies received to deposits.

DOR official procedures for license offices indicate the composition of monies received should be reconciled to the accounting records and to deposits. Any differences identified as part of this work should be reviewed to ensure proper handling of monies received.

Recommendation

The 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, and differences identified from the reconciliation process are appropriately reviewed.

Report source

2015-105 (Carthage)
2015-106 (Kirksville)
2015-107 (Monroe City)
2015-108 (St. Charles)
2016-077 (Marshall)
2016-078 (Perryville)
2016-092 (Grandview)
2017-076 (Oakville)
2017-080 (Wentzville)

4.2 Intact deposits

The license office did not always make intact deposits. An erroneous motor vehicle credit card overpayment was refunded to the customer in cash instead of voiding and reprocessing the transaction.

DOR official procedures require motor vehicle transactions with erroneous overpayments to be voided and reprocessed for the correct amount. These procedures help ensure receipts are deposited intact.



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Recommendation The license office ensure erroneous overpayment transactions are voided and reprocessed in accordance with DOR procedures and deposits are made intact.

Report source 2015-105 (Carthage)

4.3 Manual receipt slips The license office did not issue manual receipt slips for driving record sales or always record the method of payment (cash, check, or credit card) on manual receipt slips. The license office must issue manual receipt slips for these transactions because they are processed outside of the computerized system.

DOR official procedures require a receipt slip be issued for all sales of driving records and the method of payment be accurately recorded for each transaction. By not issuing manual receipt slips or always indicating the method of payment on these receipt slips, the office cannot demonstrate the related monies were accounted for properly.

Recommendation The license office ensure receipt slips are issued and retained for all driving record sales and the methods of payment are recorded on all manual receipt slips.

Report source 2015-106 (Kirksville)
2015-107 (Monroe City)
2016-077 (Marshall)
2016-078 (Perryville)
2016-091 (De Soto)
2016-092 (Grandview)
2017-037 (Fayette)
2017-062 (Glenstone)
2017-076 (Oakville)

5. Contract Compliance

The license office did not always accurately update perpetual inventory records for items such as license plates, tabs, decals, and permits.

The license office increases the risk of undetected theft and/or impropriety when inventory records are not updated accurately and timely. In addition, the DOR agent contract requires the license office to maintain up-to-date perpetual inventory records.

Recommendation The license office maintain accurate perpetual inventory records, as required by the DOR agent contract.

Report source 2016-080 (Twin City)
2016-092 (Grandview)
2017-021 (Gainesville)



6. Statutory Compliance

License office personnel did not normally ask if customers wanted to donate to the organ donor program, blindness awareness program, and/or the World War I Memorial Trust Fund, as required by state law. A "Yes" or "No" to these donation questions must be recorded in the TRIPS and/or the driver license system in order to complete each transaction.

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 organ donor program and blindness awareness program. Section 301.3033, RSMo, requires personnel to inquire whether customers purchasing a specialty military license plate are interested in making a \$10 donation to the World War I Memorial Trust Fund. For all other license plate purchases, office personnel are required to inquire whether customers are interested in making a \$1 donation to this fund.

Recommendation

The license office ensure office staff inquire of each customer whether the customer is interested in donating to the organ donor program, blindness awareness program, and/or World War I Memorial Trust Fund.

Report source

2017-063 (Hermann)
2017-070 (Hannibal)

7. No Fee Identification Log

The license office did not record some identification cards (IDs) issued for no fees on the office log, as required by the DOR.

No fee IDs are issued at no cost to the holder to replace IDs previously purchased for reasons such as an ID printing illegibly or having a misspelled name. The license office is required by the DOR to maintain the log to document the reason for the no fee ID issuance. DOR personnel also use the logs to review for accurate processing of ID transactions and to ensure the reasons for issuing no fee IDs are reasonable.

Maintaining an accurate and complete ID log is needed to demonstrate the proper issuance of no fee IDs.

Recommendation

The license office ensure all no fee ID transactions are properly recorded on the office log.

Report source

2015-108 (St. Charles)
2015-109 (Warrenton)

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Appendix - Audit Reports

Report Number	Title	Publication Date
2015-105	Department of Revenue - Carthage Contract License Office	November 2015
2015-106	Department of Revenue - Kirksville Contract License Office	November 2015
2015-107	Department of Revenue - Monroe City Contract License Office	November 2015
2015-108	Department of Revenue - St. Charles Contract License Office	November 2015
2015-109	Department of Revenue - Warrenton Contract License Office	November 2015
2016-077	Department of Revenue - Marshall Contract License Office	September 2016
2016-078	Department of Revenue - Perryville Contract License Office	September 2016
2016-079	Department of Revenue - Salem Contract License Office	September 2016
2016-080	Department of Revenue - Twin City Contract License Office	September 2016
2016-081	Department of Revenue - Warrensburg Contract License Office	September 2016
2016-082	Department of Revenue - Savannah Contract License Office	September 2016
2016-091	Department of Revenue - De Soto Contract License Office	September 2016
2016-092	Department of Revenue - Grandview Contract License Office	September 2016
2017-021	Department of Revenue - Gainesville Contract License Office	April 2017
2017-037	Department of Revenue - Fayette Contract License Office	May 2017
2017-038	Department of Revenue - Ellington Contract License Office	May 2017
2017-061	Department of Revenue - Monett Contract License Office	July 2017
2017-062	Department of Revenue - Glenstone Contract License Office	July 2017
2017-063	Department of Revenue - Hermann Contract License Office	July 2017
2017-070	Department of Revenue - Hannibal Contract License Office	August 2017
2017-071	Department of Revenue - Brookfield Contract License Office	August 2017
2017-076	Department of Revenue - Oakville Contract License Office	August 2017
2017-080	Department of Revenue - Wentzville Contract License Office	August 2017
