



Thomas A. Schweich
Missouri State Auditor

REVENUE

Willow Springs Contract License Office

November 2011
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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Willow Springs 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. This audit is one of the initial 10 contract license offices audited by the State Auditor.
Prepayment Void Transactions	The Willow Springs contract license office did not maintain proper documentation of prepayment void transactions. Prepayment void transactions occur when a transaction is entered into the processing system but is voided before payment is made. Department of Revenue official procedures require license offices to document the reason for any void, obtain the customer's signature acknowledging the void, and have a supervisor and/or manager review and approve the void. The Willow Springs contract license office lacked documentation of customer acknowledgment for 5 of 10 (50 percent) void transactions occurring in a six month period and had no documentation for two other void transactions.
Statutory Compliance	The Willow Springs contract license office is not complying with statutory requirements to inquire whether customers wish to make a \$1 donation to the Blindness Education, Screening, and Treatment Program Fund and the Organ Donor Program Fund, and to inform customers of the ability to be included in the organ donor registry and to consent to organ donation. An answer to these questions must be entered into the computer system to complete the transaction, so it appears staff frequently just entered "No."

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

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Willow Springs 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

Willow Springs 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

Willow Springs Chamber of Commerce, Contract Agent
Willow Springs Contract License Office
Willow Springs, Missouri

We have audited certain operations maintained and established by the Willow Springs 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, 2011. 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) a deficiency in internal controls and (2) noncompliance with statutory provisions.

The accompanying Management Advisory Report presents our findings arising from our audit of the Willow Springs 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:	Katie Twiehaus
Audit Staff:	Corey McComas, M.Acct., CPA

Department of Revenue
Willow Springs Contract License Office
Management Advisory Report - State Auditor's Findings

1. Prepayment Void Transactions

The Willow Springs 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, an incorrect address or date of purchase; and when customers lack sufficient funds to pay the transaction.

The license office did not maintain customer acknowledgment documentation for 5 of 10 (50 percent) void transactions that occurred between February and July 2011. In addition, the license office did not maintain any documentation, such as the reason for the void, customer acknowledgement of the void, and management review of the transaction, for two other void transactions.

Department of Revenue (DOR) official procedures provide that the reason for the void should be documented along with the customer's signature acknowledging the void, and the void transaction be reviewed and approved by a supervisor and/or manager. Obtaining a customer's acknowledgement and documenting the reason for voiding the transaction help ensure the transaction actually was voided, and a review by office management also helps ensure transactions were properly handled and are valid.

Recommendation

The Willow Springs Contract License Office ensure all prepayment void transactions are supported by customer acknowledgment of the void transaction, along with the reason for the void. In addition, office management should review all prepayment void transactions and document its review.

Auditee's Response

The Willow Springs License Office concurs with the State Auditor's recommendation for the deficiency in our internal controls. We are now ensuring all prepayment voids are supported by customer acknowledgement of the voided transaction along with a reason for the void. The office manager is reviewing all prepayment voids daily. This implementation is immediate.

2. Statutory Compliance

The Willow Springs license office does not always inquire if customers want to donate to the Blindness Education, Screening, and Treatment Program Fund and the Organ Donor Program Fund, or inform customers of the ability to be included in the organ donor registry and to consent to organ donation, as required by state law.

During our audit work in the office, we noted that office staff frequently did not ask customers if they wanted to donate to these funds, or inform



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Management Advisory Report - State Auditor's Finding

customers about organ donation. A Yes or No to the donation questions must be recorded in TRIPS in order to complete the 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 Blindness Education, Screening, and Treatment Program Fund and to the Organ Donor Program Fund. 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 Willow Springs Contract License Office ensure office staff inquire of each customer whether the customer is interested in making a \$1 donation to the Blindness Education, Screening, and Treatment Program Fund and the Organ Donor Program Fund, and inform customers of the ability to be included in the organ donor registry and to consent to organ donation, as required by state law.

Auditee's Response

The Willow Springs License Office concurs with the State Auditor's recommendation to ensure office staff inquire of each customer whether they are interested in making a \$1 donation to the Blindness Education, Screening, and Treatment Program Fund and the Organ Donor Program Fund, and to inform customers of their ability to be included in the Missouri Organ and Tissue Donor Registry. This implementation is immediate.

Department of Revenue

Willow Springs Contract License Office

Organization and Statistical Information

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.

Starting in January 2009, the DOR began awarding license offices through a competitive bidding process. Effective August 2009, Section 136.055.2, RSMo, requires contract license offices to be awarded through a competitive bidding process. 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 over 500 different types of license plates which can be classified into 6 major categories: passenger, truck, trailer, motorcycle, bus, and dealer. In addition, the contract license offices issue 5 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, add endorsements or restrictions to licenses, and 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 August 2009, the bid solicitation for the Willow Springs Contract License Office was issued. The office was awarded to the Willow Springs Chamber of Commerce, effective October 22, 2009. At June 30, 2011, the contract



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Organization and Statistical Information

and office managers for the license office were John Bailey and Jane Gibbons, respectively.

For the year ended June 30, 2011, the office collected and remitted to the DOR \$636,489, and retained processing fees totaling \$37,110. Additionally, as part of the bidding process, the office agreed to return .25 percent of its processing fees to the state. For the year ended June 30, 2011, the office returned processing fees, totaling \$93, to the state.

American Recovery and
Reinvestment Act 2009
(Federal Stimulus)

The Willow Springs Contract License Office did not receive any federal stimulus monies during the year ended June 30, 2011.