



Thomas A. Schweich
Missouri State Auditor

REVENUE

Platte City Contract License Office



November 2012
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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Platte City 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.
Accounting Controls and Procedures	The Platte City contract license office did not always accurately record the method of payment (cash and check) and did not reconcile the composition of monies received to deposits.

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

American Recovery and Reinvestment Act (Federal Stimulus)	The Platte City 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

Platte City 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

Platte Civic Association, Contract Agent
Platte City Contract License Office
Platte City, Missouri

We have audited certain operations maintained and established by the Platte City 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) a deficiency in internal controls and (2) no significant noncompliance with contractual and statutory provisions.

The accompanying Management Advisory Report presents our finding arising from our audit of the Platte City Contract License Office.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

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:	Corey McComas, M.Acct., CPA
	Aaron Allen

Department of Revenue

Platte City Contract License Office

Management Advisory Report - State Auditor's Findings

Accounting Controls and Procedures

The Platte City 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 Department of Revenue (DOR) approximately \$4.3 million.

The license office did not always accurately record the method of payment (cash and check) 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 deposits made on March 13, March 14, and June 8, 2012. A review of these deposits identified transactions marked as paid with cash when actually paid for by check, and checks recorded as cash payments. In addition, the method of payment is not always recorded on the Drivers Sale of Information Receipt issued for driving records.

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 Platte City 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

After reviewing the audit report, we agree with the finding and would like to discuss changes our office has implemented in addition to those suggested by your office.

We have spoken with our employees and have reminded them of the importance of carefully reviewing the payment screen for proper payment selection before the transaction is completed. If the transaction has been completed and the cashier notices a discrepancy, a payment receipt will be printed and signed by the customer and a notation made stating the correct payment type used. This will be kept with the customer's transaction in our audit copies. If this discrepancy is not noticed until after the customer has left, the manager will make the appropriate comment on the cashier report and accounting report. We have also reminded our clerks of the importance of always checking the appropriate payment type on the Drivers Sale of Information Receipt. Unfortunately, Failure to Appear in Court for a Traffic Violation and Drivers Sale of Information receipts are unable to be processed on the computer system, resulting in their being interpreted by the computer to be cash transactions.

All changes are effective immediately.

Department of Revenue

Platte City 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.

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 Platte City Contract License Office was issued. The office was awarded to the Platte Civic Association,



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effective December 17, 2009. At June 30, 2012, the contract and office managers were Merle Weisenborn and Christine Bradfield, respectively.

For the year ended June 30, 2012, the office collected and remitted to the DOR \$4,334,211, and retained processing fees totaling \$253,566. 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 \$5,126, to the state.

American Recovery and
Reinvestment Act 2009
(Federal Stimulus)

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