



Nicole R. Galloway, CPA  
Missouri State Auditor

---

## REVENUE

# Kirksville Contract License Office



---

November 2015  
Report No. 2015-106

---

<http://auditor.mo.gov>



**Nicole R. Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Kirksville Contract License Office

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.
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 documented reason for voiding a transaction and customer acknowledgement if a new transaction is not completed or is for a lesser amount. License office personnel did not document the reason for voiding 4 of 10 (40 percent) prepayment void transactions that occurred from February 23 to February 26, 2015, and license office personnel did not obtain customer acknowledgment for 3 of these 4 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 3 February 2015 deposits reviewed, and both manual receipt slips on hand during a June 2015 cash count did not include the method of payment.

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

\*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.

**All reports are available on our Web site: [auditor.mo.gov](http://auditor.mo.gov)**

---

# Department of Revenue

## Kirksville Contract License Office

### Table of Contents

---

State Auditor's Report	2
------------------------	---

---

Management Advisory	
Report - State Auditor's	1. Prepayment Void Transactions.....4
Findings	2. Accounting Controls and Procedures .....4

---

Organization and Statistical	6
Information	



**NICOLE R. GALLOWAY, CPA**  
**Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor

and

Nia Ray, Director

Department of Revenue

Jefferson City, Missouri

and

Judy J. Albin, Contract Agent

Kirksville Contract License Office

Kirksville, Missouri

We have audited certain operations maintained and established by the Kirksville 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, 2015. The objectives of our audit were to:

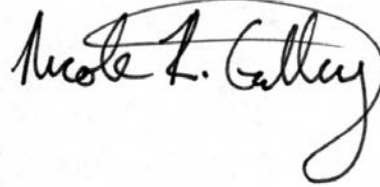
1. Evaluate the office's internal controls related to handling of various fees and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

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) no significant noncompliance with contractual or statutory provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the Kirksville Contract License Office.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	John Luetkemeyer, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Joshua Shope, M.Acct. Hunter O'Donnell, M.Acct.

---

# Department of Revenue

## Kirksville Contract License Office

### Management Advisory Report - State Auditor's Findings

---

#### **1. Prepayment Void Transactions**

License office personnel did not document the reason for voiding 4 of 10 (40 percent) prepayment void transactions that occurred from February 23 to February 26, 2015. In addition, license office personnel did not obtain customer acknowledgment for 3 of these 4 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 when customers lack sufficient funds to pay for the transaction, and entries with incorrect information.

Department of Revenue (DOR) official procedures require a documented reason for voiding a transaction, and customer acknowledgment of a void transaction if a new one is not completed or is for a lesser amount. In addition, 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 transactions are supported by a documented reason for the void transaction and customer acknowledgment, when applicable.

#### **Auditee's Response**

*The Kirksville License Office has implemented a more strict procedure in regards to prepayment voids. Contract or office manager must sign off on void before the customer departs office. This will ensure that the void is for a valid reason and all documents are properly signed.*

---

#### **2. Accounting Controls and Procedures**

The license office needs to improve controls and procedures over monies collected. For the year ended June 30, 2015, the office collected and remitted to the DOR approximately \$5.1 million in taxes and fees.

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. For example, the composition of deposits did not agree to the composition of receipts recorded for the three deposits made from February 23 to February 25, 2015. A review of these deposits identified check payments recorded as cash payments. In addition, the license office did not record the method of payment on either of the 2 manual receipt slips issued for driving record purchases on hand during our cash count on June 15, 2015. The license office must issue manual receipt slips for these transactions because they are processed outside of the computerized system.

DOR official procedures for license offices indicate the composition of monies received should be reconciled to the accounting records and to



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

deposits. Any differences identified as part of this work should be reviewed to ensure proper handling of monies received.

During February 2013, the DOR's Compliance and Investigation Bureau performed a review of the license office and noted the same concerns with method of payment recording errors.

## 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. In addition, the license office should ensure the method of payment is recorded on all manual receipt slips.

## Auditee's Response

*We have met with staff about accurately recording method of payment that a customer makes. When customer approaches counter, the clerk is not only to make sure that the customer has all paperwork needed for the transaction, but also method of payment. If using a debit / credit card, the importance of explaining the courtesy fee attached. We have urged staff to be more diligent about selecting the correct method of payment on the payment screen. If clerk notices a mistake after customer departs the office, we've urged them to put correct method of payment on TRIPS office audit copy. When preparing the daily deposit, the composition of money is reconciled to the accounting records and to the deposit. If differences are found, we verify that the correct documentation is on the TRIPS audit copy receipt. We also require the clerks to record this same information on their individual TRIPS cashier report at checkout time. Driving record receipts are audited daily to make sure correct payment method has been entered. Both the office manager and I feel this issue has been corrected.*

---

# Department of Revenue

## Kirksville Contract License Office

### Organization and Statistical Information

---

Pursuant to Section 136.030(2), RSMo, 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 178 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. Prior to August 2013, contracts typically ran for a year, with three 1-year renewal periods. From August 2013 until January 2014, contracts typically ran for a 4-year period. Starting in January 2014, contracts are typically for a period of 5 years. 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 that are 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, World War I memorial fund, and/or blindness awareness fund. Customers may also register with Selective Service, add endorsements or restrictions to licenses, and register to vote.

The contract agents do not receive compensation from the DOR, but 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





---

Department of Revenue  
Kirksville Contract License Office  
Organization and Statistical Information

---

In October 2013, the DOR solicited bids for the Kirksville Contract License Office. The office was awarded to Judy J. Albin, effective January 19, 2014.

For the year ended June 30, 2015, the office collected and remitted to the DOR \$5,110,255, and retained processing fees totaling \$145,618. 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, 2015, the office returned to the state processing fees totaling \$2,936.

## Personnel

At June 30, 2015, key office personnel were as follows:

Judy J. Albin, Contract Manager  
Peggy Moots, Office Manager