



Office of Missouri State Auditor
Nicole Galloway, CPA

Department of Revenue
Glenstone Contract License Office

Report No. 2017-062
July 2017

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Glenstone Contract License Office

Background	The Department of Revenue has appointed 177 contract agents to operate contract license offices across the state. These offices process transactions to 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 license office did not always record the method of payment (cash, check, or credit card) on manual receipt slips issued for driving record purchases and for fees collected for reinstatement of driving privileges. The license office must issue manual receipt slips for these transactions because they are processed outside of the computerized system.

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

Department of Revenue

Glenstone Contract License Office

Table of Contents

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

Management Advisory Report - State Auditor's Finding	Accounting Controls and Procedures..... 4
--	---

Organization and Statistical Information	5
---	---



NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Eric R. Greitens, Governor
and

Joel W. Walters, Director
Department of Revenue
Jefferson City, Missouri
and

Breast Cancer Foundation of the Ozarks, Contract Agent
Glenstone Contract License Office
Springfield, Missouri

We have audited certain operations maintained and established by the Glenstone 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 December 31, 2016. The objectives of our audit were to:

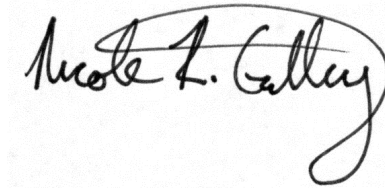
1. Evaluate the office's internal controls related to handling of various fees and tax transactions.
2. Evaluate the office's compliance with certain contractual and statutory provisions.

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 applicable contract, grant agreement, 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 or statutory provisions. The accompanying Management Advisory Report presents our finding arising from our audit of the Glenstone 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:

Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Susan J. Beeler, CPA, CIA
In-Charge Auditor:	Joshua Shope, M.Acct., CPA
Audit Staff:	Hunter O'Donnell, M.Acct
	Shelbi M. Becker

Department of Revenue

Glenstone Contract License Office

Management Advisory Report - State Auditor's Finding

Accounting Controls and Procedures

The license office needs to improve controls and procedures over monies collected. For the year ended December 31, 2016, the office collected and remitted to the Department of Revenue (DOR) approximately \$20.6 million in taxes and fees.

The license office did not always record the method of payment (cash, check, or credit card) on manual receipt slips issued to customers. Our review of receipt transactions processed in the office on February 7, 2017, and February 8, 2017, determined the license office did not record the method of payment on 5 of 9 manual receipt slips issued for driving record purchases or on the 1 manual receipt slip issued for fees collected for the reinstatement of driving privileges. The license office issues manual receipt slips for these transactions because they are processed outside of the computerized system.

DOR official procedures for license offices indicate the method of payment must be accurately recorded for each transaction. By not always indicating the method of payment on manual receipt slips, the office cannot demonstrate the related monies were accounted for properly.

Recommendation

The license office ensure the method of payment is recorded on all manual receipt slips.

Auditee's Response

This office now ensures the method of payment is recorded on all manual receipt slips and will remain diligent in recording the method of payment. Our management team performs spot checks throughout the day on our driver license clerks to ensure this task is being completed on a regular basis. We appreciate the time the audit staff gave at our office and the recommendations given.

Department of Revenue

Glenstone 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 177 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 (excluding action organizations) that are exempt from taxation (not-for-profit) under the Internal Revenue Code, with special consideration given to organizations and entities that reinvest a minimum of 75 percent of the net proceeds to charitable organizations in Missouri. Priority must also be given to 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. Starting in August 2013, contracts are typically for a period of 3 ½ to 5 ½ years. The contract may be canceled at the discretion of the DOR.

The contract license offices process transactions to 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 process transactions to 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). 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 Sections 136.055.1 and 301.140.4, 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 year
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
Temporary permit	\$5.00
Other miscellaneous fees	\$2.00



Department of Revenue
Glenstone Contract License Office
Organization and Statistical Information

In January 2014, the DOR solicited bids for the Glenstone Contract License Office. The office was awarded to Breast Cancer Foundation of the Ozarks, effective July 15, 2014.

For the year ended December 31, 2016, the office collected and remitted to the DOR \$20,647,341, and retained processing fees totaling \$587,237. Additionally, as part of the bidding process, the office agreed to return 8 percent of its processing fees to the state. For the year ended December 31, 2016, the office returned to the state processing fees totaling \$47,279.

Pursuant to Sections 301.020, 302.171, and 301.3033, RSMo, the licensing process allows customers to contribute to the organ donor program, blindness awareness program, and/or the World War I Memorial Trust Fund. For the year ended December 31, 2016, the office collected and remitted to the DOR \$2,739, \$3,031, and \$3,021 in donations for the organ donor program, blindness awareness program, and the World War I Memorial Trust Fund, respectively.

Personnel

At December 31, 2016, key office personnel were as follows:

Debbie Glidewell, Contract Manager
Sheila Goodrich, Office Manager