

Thomas P. DiNapoli
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 21, 2012

Mrs. Barbara J. Fiala
Commissioner
Department of Motor Vehicles
6 Empire State Plaza
Albany, NY 12228

Re: Report 2011-F-27

Dear Mrs. Fiala:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Department of Motor Vehicles (Department), to implement the recommendations contained in our audit report, *Internal Controls Over Revenue Collection* (Report 2007-S-15).

Background, Scope and Objective

The Department receives revenues from a variety of activities, including car registrations, driver licenses, business registrations such as automobile dealers and inspection stations, and searches of Department records. These revenues support the State's general fund and other designated funds. The Department also collects fines and surcharges on non-criminal moving violations at Traffic Violation Bureau (TVB) offices in Suffolk County and the cities of New York, Buffalo, and Rochester. Localities where violations occur receive a portion of these fines.

Fees are collected at 18 different Central Office units, 31 district offices (operated by the Department), and 105 county offices (operated by the County Clerks as agents for the Department). Fines and surcharges are collected at 11 TVB offices. In State Fiscal Year 2010-11, the Department reported that it collected a total of about \$1.9 billion in revenue from the various units and offices, as follows: Central Office units (\$550 million), district offices (\$712 million), county offices (\$435 million), and TVB offices (\$162 million). Each collecting unit or office deposits its revenues into a separate bank account. The revenues are subsequently collected by the Office of the State Comptroller's Cash Management Unit.

Our initial audit report, which was issued on April 25, 2008, examined the internal controls at all of the Department's Central Office units that collect revenues and a sample of

district and county field offices. We found the Department needed to strengthen internal controls by adhering to established policies and procedures and by implementing additional controls. We identified control weaknesses at some of the Central Office units and field offices. Necessary improvements included having two people present when cash is counted, separating duties, maintaining accountability over funds received, depositing funds timely, and testing for counterfeit bills. Central Office units should have changed safe combinations more frequently and kept cash and checks in locked areas. We also found the Department's records of its bank accounts did not agree with the Office of the State Comptroller records. The Department also needed to expedite the appointment of an Internal Control Officer who was independent of its internal audit unit (Audit Services).

The objective of our follow-up was to assess the extent of implementation, as of January 13, 2012, of the eight recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Department officials have made some progress in correcting some of the problems we identified. However, additional improvements are needed. Of the eight prior audit recommendations, four were implemented, two were partially implemented, and two were not implemented.

Follow-up Observations

Recommendation 1

Evaluate written procedures for controls over receipt of revenue and modify them as necessary to address internal control weaknesses, including the use of written transmittal forms when revenue is transferred between staff.

Status - Implemented

Agency Action - The Department evaluated and modified its written procedures for controls over receipts of revenue and issued memos informing all offices of all changes to these procedures. For example, cashiers no longer transfer money between themselves. Instead, cashiers receive change for their drawers from their supervisors. All procedures are available to every office on the Department's Intranet.

Recommendation 2

Issue periodic reminders of cash control procedures and monitor cash collection sites to determine, among other things, whether there is adequate control and security over receipts and change funds.

Status - Implemented

Agency Action - The Department issued a memorandum in January 2008 reminding staff of the importance of controls over revenue receipts. In April 2009 a new policy for Revenue Collection and Reconciliation was issued. The Department also sent all State-operated offices a self-assessment survey of control activities in October 2011. The self-assessment survey served as a reminder of the offices' cash controls and monitoring responsibilities. According to Department staff, two Central Office audits will be conducted in 2012, based on the results of the self-assessment survey. Further, Audit Services periodically audits individual offices controls and security over receipts and cash funds.

Recommendation 3

Ensure that two people are available and actively participate in cash counting and verification activities.

Status - Partially Implemented

Agency Action - We visited eight offices throughout the State, two of which did not have two employees concurrently take part in cash counting and verification activities. At both offices, one employee performed the initial count, which was later verified by another employee. According to Department officials, some offices have limited staff, and two employees were not available at the same time, as required.

Recommendation 4

Assess and document the need for greater audit focus on internal control weaknesses at the Central Office units.

Status - Partially Implemented

Agency Action - In October 2011, the Department's Internal Control Officer sent two surveys on cash controls to all Central Office Units. One survey resulted in the formation of audit plans for two audits to be performed at Central Office Units, but which have not been initiated. The other survey was done to evaluate employee knowledge of and adherence to Department policies and procedures such as the use of safes, the timeliness of deposits, and the handling and accounting for cash receipts. Department officials stated that the results of this survey will be used to determine which areas will be the focus of future audits and/or training sessions. However, they had not yet analyzed the survey responses as of January 13, 2012.

Recommendation 5

Monitor and enforce compliance with the Department's policy on changing safe combinations.

Status - Not Implemented

Agency Action -The Department does not maintain a list of which Central Office units have safes or require them to report when combinations are changed. Each State and County operated office is audited once every three years including a review of safe combination changes. However, the Department has not audited the Central Office units regarding changing the safe combination. We visited the 12 Central Office units with a safe, and identified one unit that had not changed the safe combination as required, and two units that had not changed the combination annually as recommended. According to Department staff, the combinations for those two units' safes were not changed in at least five years. We visited one TVB, three district offices and four county offices. Only one of the eight offices changed their safe combination within a one-year period as recommended.

Recommendation 6

Close the bank accounts for the district office that is no longer open, and retain documentation of the closure.

Status - Implemented

Agency Action -The Department closed the bank account for the closed district office. Although the Department could not locate documentation of the account closure, the bank and the Office of the State Comptroller (OSC) confirmed that the account was closed.

Recommendation 7

Resolve the discrepancies in the bank account information maintained by the Department and Office of the State Comptroller, and keep an up-to-date bank account list.

Status - Not Implemented

Agency Action - Department officials state that they met with OSC to resolve the discrepancies in the listings of open bank accounts, but do not have documentation of these meetings because of staff turnover. However, discrepancies on the number of bank accounts still exist. We compared the list of bank accounts maintained by the Department with that maintained by OSC. We found that three accounts on the Department list were not on the OSC list. An additional five accounts were on the OSC list but were not on the Department's list because the accounts were closed, but not reported to OSC.

Recommendation 8

Expedite the appointment of an Internal Control Officer independent of the Audit Services Unit.

Status - Implemented

Agency Action - The Department appointed an Internal Control Officer in February 2008. The Department's B-350 Internal Control Certifications and organization chart show the Internal Control Officer is independent of the Audit Services Unit.

Major contributors to this report were Steve Goss, Jennifer Paperman, Brandon Ogden, Gayle Clas, and Jeffrey Dormond.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Department for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

(original signed)

Carmen Maldonado
Audit Director

cc. J. Potera, Director of Audit Services
T. Lukacs, Division of the Budget