

LBA Financial Audit Report Summary:

Department of Safety - Fee and Fine Revenues Collected by the Division of Motor Vehicles for the Fiscal Year Ended June 30, 2006

Reporting Entity And Scope

The reporting entity and scope of this audit and audit report is the \$114.6 million of fee and fine revenue collected by the Division of Motor Vehicles of the New Hampshire Department of Safety for the fiscal year ended June 30, 2006. The fee and fine revenue was principally collected by the Division of Motor Vehicles' Bureaus of Driver Licensing (Licensing), Registration, Title and Anti-Theft (Title), and Financial Responsibility. Not included in the scope of this audit and audit report is the revenue collected on behalf of the Division by the New Hampshire Court System and the revenue collected by the Bureau of Road Toll, a bureau of the Division of Motor Vehicles whose revenue is reported by the Department's Division of Administration.

The report describes certain financial activity of the Division of Motor Vehicles, as it existed during the period under audit.

Organization

The Division of Motor Vehicles is one of seven divisions within the Department of Safety under the direction of the Commissioner of Safety. The Division of Motor Vehicles includes the Bureaus of Licensing, Registration, Title, and Financial Responsibility, which are primarily responsible for the collections of fee and fine revenues for the Division and the Bureau of Highway Patrol and Enforcement, the New Motor Vehicle Arbitration Board, and various other organizations and activities, which collect minimal or no fee and fine revenues.

The main offices of the Division are located at 23 Hazen Drive in Concord. The Division also performs registration, licensing, and title transactions, and collects associated fee and fine revenues at substations and at municipal agents located throughout the State.

At June 30, 2006, the Division employed 212 full-time and five part-time employees in the Bureaus of Licensing, Registration, Title, and Financial Responsibility.

Responsibilities

Division responsibilities include overseeing the operation of motor vehicle substations, road testing of drivers, the issue and renewal of driver licenses, the issue and renewal of motor vehicle registrations, vehicle safety inspections, maintaining motor vehicle records and reports, plea-by-mail court fines program, the international registration plan program, emissions program, special projects, Department copy and microfilming services, the pupil transportation program, driver education, and motorcycle rider training program.

Bureau Of Licensing

State rules and regulations require that drivers be licensed to legally operate a motor vehicle in New Hampshire. The Bureau of Licensing is responsible for administering the vision, written, and driver road tests for State residents obtaining their first license and also administering procedures for the periodic renewal of drivers' licenses. Upon request, the Bureau also issues non-driver photo identification cards to residents who are least 16 years old and who do not possess valid driver licenses. The Bureau collects the appropriate licensing fees in accordance with the State motor vehicle laws.

During fiscal year 2006, driver licensing was performed at 17 locations throughout the State, including the Concord Office and 16 substations.

Bureau Of Registration

The Bureau of Registration is responsible for the proper registration of motor vehicles, including collection of vehicle registration fees in accordance with the provisions of the State motor vehicle laws. The Bureau performs registrations at 13 locations throughout the state including the Concord Office and 12 substations. Motor vehicle registrations are also performed by designated municipal agents in their respective cities and towns, subject to the direction and approval of the Department and Division. At June 30, 2006, there were 199 municipal agents (not including town clerks) approved by the Division to process registrations, 98 of which were classified as "on-line" agents.

Bureau Of Title

The Bureau of Title carries out the work and purposes of the certificate of title and antitheft provisions of the State motor vehicle laws. The Bureau is responsible for determining legal ownership of motor vehicles and recording liens, and initiating Division investigations in regards to consumer fraud as evidenced by the submission or non-submission of title applications and supporting documents. The Bureau, along with the Bureau of Registration and the Bureau of Registration's municipal agents, is responsible for collecting the appropriate fees in accordance with the provisions of the State motor vehicle laws.

Bureau Of Financial Responsibility

The Bureau of Financial Responsibility is primarily responsible for the administration of those portions of the motor vehicle statutes that have a direct bearing on operator control and highway safety. This includes receiving, processing, and maintaining records and being in a position to support the public, law enforcement agencies, the court system, and others. Records of motor vehicle violations, accident reports, civil judgments arising from such accidents, persons with or suffering from disabilities that could adversely affect the safe operation of a motor vehicle, the administration of the financial responsibility act, the habitual offender statute, and the general hearings program are maintained by the Bureau. The Bureau is responsible for collecting the appropriate fees, fines, and other amounts in accordance with the provisions of the motor vehicle laws.

Funding

The revenues of the Division of Motor Vehicles are accounted for in the General and Highway Funds of the State of New Hampshire. Estimated restricted revenue combined with supplemental warrants and balances forward resulted in anticipated fiscal year 2006 restricted revenue of \$6,625,086 in the General Fund and \$0 in the Highway Fund. Fiscal year 2006 estimated unrestricted revenue totaled \$18,020,800 in the General Fund and \$86,955,000 in the Highway Fund.

The actual fee and fine revenues collected by the Division as reported in the General and Highway Funds for the fiscal year ended June 30, 2006 are summarized in the following table.

Summary Of Fee And Fine Revenues Collected Fiscal Year Ended June 30, 2006

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Total</u>
Unrestricted Revenues	\$ 17,272,902	\$ 85,246,688	\$ 102,519,590
Restricted Revenues	\$ 7,636,739	\$ 4,444,974	\$ 12,081,713
Total Revenues	<u>\$ 24,909,641</u>	<u>\$ 89,691,662</u>	<u>\$ 114,601,303</u>

The auditor's report on the Division of Motor Vehicles' Combined Schedule of Fee and Fine Revenues Collected – Budget and Actual – General and Highway Funds was unqualified.

The report also includes an auditor's report on internal control over financial reporting and on compliance and other matters and an auditor's report on management issues and related audit comments. The following is a list of the comments in the report.

Internal Control Comments

Material Weaknesses

- The Division Must Gain Better Control Of Its Information In The IDMS
- Cause Of Missing Data Detail Should Be Investigated

Other Reportable Conditions

- Formal Risk Assessment Policies And Procedures Should Be Established
- Formal Fraud Reporting Policy Should Be Established
- Documentation And File Maintenance Practices Should Be Reviewed

- Policies And Procedures Manuals Should Be Updated Or Established As Necessary
- Controls Over Changes To Driver Records Should Be Improved
- Controls Over The Recording Of Cash Received In The Mail Should Be Strengthened
- Segregation Of Duties Should Be Improved Over Prepaid Account Transactions
- Control Over License Applicant Documents Should Be Formalized
- Documentation For Processing No-Fee Motor Vehicle Record Transactions Should Be Improved
- Controls Over Fee Adjustments Should Be Improved
- Closeout Control Procedures Should Be Consistently Applied
- Monthly Reconciliations Should Be Performed Timely
- Reconciliation Of International Registration Plan Fees Should Be Performed
- Change Control Procedures Should Be Adhered To
- Controls Over Computer Access Privileges Should Be Improved

- Notification Of Duplicate Registrations Should Be Made To Customers Re-Registering Boats

State Compliance Comments

- Clarification Of Application Of Penalty Assessment Statute Should Be Obtained
- Administrative Rules Should Be Kept Current
- The Division's Organizational Structure Should Be As Described In Statute
- The Division's Practice Of Providing Fee Exemptions To Certain Entities For Motor Vehicle Records Should Be Reviewed And Formalized
- Statutory Fee Should Be Charged
- The Bureau Of Title Should Assess Penalties In Accordance With Statute

Management Issues Comments

- The Division Should Demonstrate Primary Responsibility For Its Information
Technology Systems
- All Municipal Agents Should Transact Business On-Line
- On-Line Registration Process Should Be Promoted