

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**FINANCIAL AND COMPLIANCE  
AUDIT REPORT  
FOR THE YEAR ENDED  
JUNE 30, 1999**



**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

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**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**Reporting Entity And Scope**

The reporting entity and scope of this audit and audit report is the \$94 million of revenue collected by the Division of Motor Vehicles of the New Hampshire Department of Safety for the year ended June 30, 1999. The Division of Motor Vehicles was established under RSA 21-P:8 to administer State laws governing motor vehicles and their operators. 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 Road Toll Bureau, which is reported by the Department's Division of Administration.

**Organization**

Motor Vehicles is one of six divisions within the Department of Safety under the direction of the Commissioner of Safety. The Division of Motor Vehicles is headed by a director appointed by the Commissioner of Safety. The Division of Motor Vehicles consists of the Bureau of Licensing, the Bureau of Registration, the Bureau of Title, and the Bureau of Financial Responsibility.

The main offices of the Division are located in the Hayes Building on Hazen Drive in Concord. The Division also performs registration, licensing, and title transactions at substations and municipal agents located throughout the state.

At June 30, 1999, the Division employed 155 full-time and 16 part-time employees.

**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*

To legally operate a motor vehicle in New Hampshire, State rules and regulations require that drivers be licensed. The Bureau of Licensing is responsible for administering the vision, written, and driver road tests for persons 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 at least 16 years old and who do not possess valid licenses. The Bureau is responsible for collecting the appropriate fees in accordance with the provisions of the State motor vehicle laws.

## **Responsibilities (Continued)**

### *Bureau Of Licensing (Continued)*

During fiscal year 1999, driver testing and licensing was performed at 18 locations throughout the state, including the Concord office and 17 Division substations.

### *Bureau Of Registration*

The Bureau of Registration oversees the proper registration of any vehicle of any type required to be registered with the Division. The Bureau is responsible for collecting the appropriate fees in accordance with the provisions of the State motor vehicle laws. As stated by the Division, the purpose of the registration requirement is to protect the public in case of motor vehicle crashes. The Bureau performs registrations at 14 locations throughout the state including the Concord office and 13 Division 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 of Safety Commissioner. At June 30, 1999, there were 185 municipal agents approved by the Division to process registrations.

### *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 judgements 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 State 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 1999 restricted revenue of \$9,845,381 in the General Fund and \$1,014,443 in the Highway Fund. Fiscal year 1999 estimated unrestricted revenue totaled \$10,898,000 in the General Fund and \$65,402,700 in the Highway Fund. The actual revenues of the Division as reported in the General and Highway Funds for the year ended June 30, 1999, are summarized in the following table and are shown graphically on page 4.

**Summary Of Division Revenues**  
**Year Ended June 30, 1999**  
(expressed in thousands)

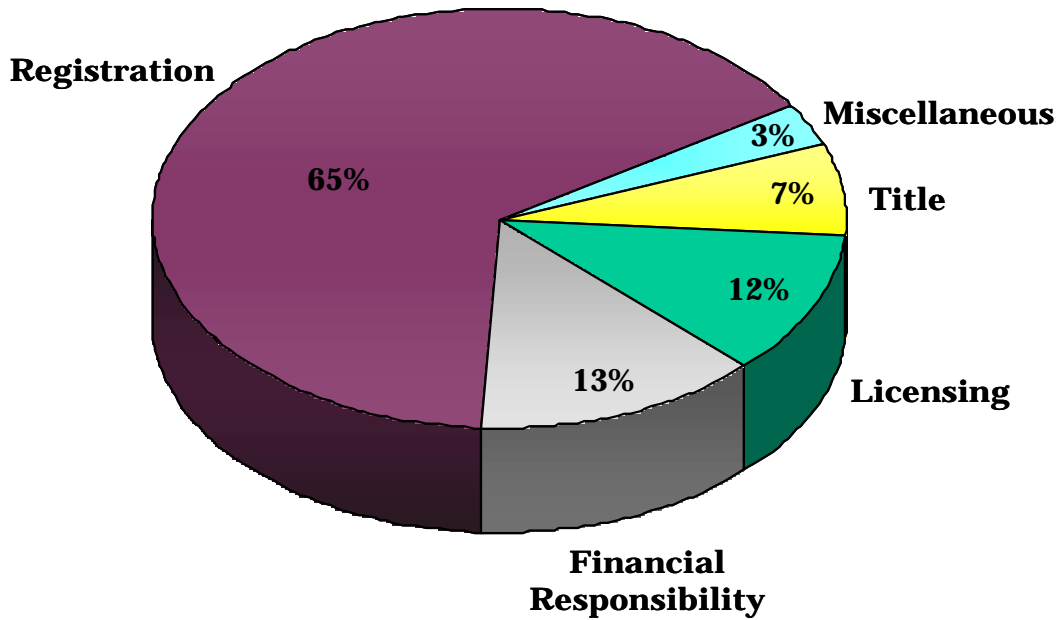
	<u>General Fund</u>	<u>Highway Fund</u>	<u>Total</u>
Unrestricted Revenues	\$ 13,983	\$ 66,250	\$ 80,233
Restricted Revenues	<u>10,689</u>	<u>3,274</u>	<u>13,963</u>
<b>Total Revenues</b>	<b><u>\$ 24,672</u></b>	<b><u>\$ 69,524</u></b>	<b><u>\$ 94,196</u></b>

## Prior Audit

The most recent prior financial and compliance audit covering the operations of the Division of Motor Vehicles was the audit of the Department of Safety for the eighteen months ended December 31, 1993. The appendix to this report on page 65, contains a summary of the current status of the observations contained in that prior report that relate to revenues collected by the Division. Copies of the prior audit report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301-4906.

**Department of Safety  
Division of Motor Vehicles  
General and Highway Funds  
Combined Revenues  
Fiscal Year 1999**

Expressed in Thousands



Bureau	General Fund	Highway Fund	Total
Registration	\$7,520	\$53,638	\$61,158
Financial Responsibility	10,699	1,903	12,602
Licensing	2,691	8,056	10,747
Title	3,735	2,853	6,588
Miscellaneous	27	3,074	3,101
<b>Total</b>	<b>\$24,672</b>	<b>\$69,524</b>	<b>\$94,196</b>



## **Audit Objectives And Scope**

The primary objective of our audit is to express an opinion on the fairness of the presentation of the Combined Statement of Revenues – Budget and Actual – General and Highway Funds collected by the New Hampshire Department of Safety, Division of Motor Vehicles for the year ended June 30, 1999. As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we considered the effectiveness of the internal controls in place at the Division of Motor Vehicles and tested the Division's compliance with certain provisions of applicable State laws and administrative rules. Major accounts or areas subject to our examination included, but were not limited to, the following:

- Internal controls and
- Revenues and related budgetary accounts.

Our reports on compliance and on internal control over financial reporting, and on management issues, the related observations and recommendations, our independent auditor's report, and the financial statement of the Division of Motor Vehicles are contained in the report that follows.

## **Auditor's Report On Compliance And On Internal Control Over Financial Reporting**

*To The Fiscal Committee Of The General Court:*

We have audited the accompanying Combined Statement of Revenues – Budget and Actual – General and Highway Funds of the New Hampshire Department of Safety, Division of Motor Vehicles for the year ended June 30, 1999, and have issued our report thereon dated May 12, 2000. This financial statement reports revenues collected directly by the Division of Motor Vehicles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Division of Motor Vehicles' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and rules, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance which is described in observation No. 29 of this report.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Division of Motor Vehicles' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Division of Motor Vehicles' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in observations No. 1 through No. 28 of this report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions noted above is a material weakness.

This auditor's report on compliance and on internal control over financial reporting is intended solely for the information and use of the management of the Division of Motor Vehicles and the Fiscal Committee of the General Court and is not intended to be and should not be used by anyone other than these specified parties.

*Office Of Legislative Budget Assistant*

Office Of Legislative Budget Assistant

May 12, 2000

**Internal Control Comments**  
**Reportable Conditions**

**Observation No. 1 - Formal Fraud Deterrence And Detection Program Should Be Established**

**Division Section: Registration, Licensing, Title, Financial Responsibility**

*Observation:*

The Division has no formal fraud deterrence and detection program. The alleged fraud in the Licensing section involving an employee allegedly embezzling \$170,000 over a two-year period points heavily to the need for a formal fraud deterrence and detection program.

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. Persons outside or inside the organization can perpetrate it for the benefit or to the detriment of the organization.

Deterrence consists of those actions taken to discourage the perpetration of fraud and limit the exposure if fraud does occur. The principal mechanism for deterring fraud is the establishment of effective controls. Management has the primary responsibility for establishing and maintaining controls.

Detection consists of identifying indicators of fraud sufficient to warrant recommending an investigation. These indicators may arise as a result of controls established by management, tests conducted by internal auditors, and other sources both within and outside the entity.

The internal auditing arm of an entity is typically responsible for assisting in the deterrence and detection of fraud by examining and evaluating the adequacy and the effectiveness of controls, commensurate with the extent of the potential exposure/risk in the various segments of an entity's operations. In carrying out this responsibility, internal auditing should, for example, determine whether:

- The organizational environment fosters control consciousness;
- Realistic organizational goals and objectives are set;
- Written policies (e.g., code of conduct, fraud reporting policy) exist that describe prohibited activities and the action required whenever violations are discovered;
- Appropriate authorization policies for transactions are established and maintained;
- Policies, practices, procedures, reports, and other mechanisms are developed to monitor activities and safeguard assets, particularly in high-risk areas;

## **Observation No. 1 - Formal Fraud Deterrence And Detection Program Should Be Established (Continued)**

### *Observation (Continued):*

- Communication channels provide management with adequate and reliable information; and
- Recommendations need to be made for the establishment or enhancement of cost-effective controls to help deter fraud.

As noted above, the principal mechanism for deterring and detecting fraud is the establishment and operation of effective controls. An integral factor of an entity's control environment is the control consciousness of its people. Management is responsible for establishing controls and monitoring compliance, and is the primary influence on the degree of importance its employees attach to controls. High control consciousness at all levels of an entity is a significant factor in deterring fraud.

### *Recommendation:*

The Division should establish a formal fraud deterrence and detection program. Establishing a formal program should help limit the Division's exposure to fraud and should promote timely detection. The Division should also take measures to foster a high degree of control consciousness among its employees and ensure that its employees understand that adhering to controls is a primary concern of management and takes priority over the speed of customer service.

While the Division has established a system of controls over its operations, as indicated by the observations noted in this audit report, the Division needs to do more in the area of fraud deterrence and detection. Management and employees must consider that allowing controls to be bypassed to expedite processes such as relieving waiting time for customers generally comes with a cost of increased risk of errors and fraud. It is management's responsibility to properly balance that risk.

### *Auditee Response:*

We concur. The Division is in the process of hiring a Certified Public Accountant (Business Administrator III) to work with the Department's Division of Administration in both their auditing and information services bureaus and will create a systems control program more amenable to detecting fraud.

## **Observation No. 2 - Formal Fraud Reporting Policy Should Be Established**

### **Division Section: Registration, Licensing, Title, Financial Responsibility**

#### *Observation:*

The Division has no formal fraud reporting policy. The lack of a written policy may delay the reporting of fraudulent activity.

The attributes of an effective fraud reporting policy include:

- The policy is in writing;
- The reporting policy describes fraudulent activities and the actions required when fraud is suspected or detected;
- The policy is communicated to all employees; and
- Management obtains written assurance from each employee that the policy and related reporting mechanism is understood.

The effectiveness of a fraud reporting policy is enhanced when employees have a clear understanding of fraud indicators and what constitutes a fraudulent act. It is important that the reporting procedure is non-threatening for the reporter and provides for the reasonable protection of all parties.

#### *Recommendation:*

The Division should establish a formal fraud reporting policy and provide its employees with fraud awareness training. The Division should take measures to ensure that the policy facilitates and encourages reporting and protects all parties involved.

#### *Auditee Response:*

We concur. Once a fraud detection program has been established, the Business Administrator and/or his/her designee, together with the newly created (May 4, 2000) position of Clerk IV will train all DMV employees on fraud awareness, and will appropriately have each employee sign a disclaimer for his/her personnel file.

### **Observation No. 3 - Management Information Reports Should Be Better Utilized To Review Division Activity**

#### **Division Section: Registration, Licensing, Title, Financial Responsibility**

##### *Observation:*

Management information reports generated by the Division's database system are not being effectively utilized as a control to review the financial activity of the Division.

A computerized accounting and record keeping system, such as the Division's database, provides for speed and efficiency in operations. However, it also exposes an organization to increased risks when there is not a constant review of operations to ensure that the system, including the employees' use of the system, is operating as intended. This review by management is an essential component of an organization's internal controls and is most effectively performed through the use of system reported information referred to as management information reports. These reports should track trends in revenues, clerk activity, and other information to inform management of system operations. If used properly, these reports would aid management in locating and correcting errors and frauds, reviewing and comparing clerk performance, estimating and analyzing revenues, scheduling workloads, and also providing information for internal audit review.

Based on discussions with section supervisors in the Division, most of management's efforts in reviewing management information reports during the audit period focused on reviewing activity levels for employee scheduling. The management information reports providing financial control information were not being reviewed. Had the Division reviewed available clerk detail transaction reports, management would certainly have noticed fee adjustment activity that appeared unusual in the Licensing section.

##### *Recommendation:*

The Division should review its current catalog of management information reports to ensure that the reports provided to its employees are needed and sufficient for their intended uses. The Division should make certain that employees, including supervisors and other appropriate levels of management, are provided with sufficient information in a well-designed format that promotes a critical review of Division operations. For the controls provided by these reports to be most effective, employees will need to be trained in the proper use of the reports and be required to review the reports on a periodic basis.

##### *Auditee Response:*

We concur. Upper management within DMV has recently received training from Information Services employees and DMV Bureau Supervisors (08/15/00) relative to critical table access, i.e. different monetary functions available through in-house computer programs.

**Observation No. 3 - Management Information Reports Should Be Better Utilized To Review Division Activity (Continued)**

*Auditee Response (Continued):*

A review of computer permissions is presently underway to verify which employees should or should not have certain authorizations. This review will be monitored on a continual basis.

The Division is implementing controls whereby fee adjustments may only be made by those individuals in supervisory positions.

Management is currently compiling all management information reports utilized by this Division and will be meeting with appropriate staff personnel to make a determination as to the necessity of each report.

**Observation No. 4 - Clerk Procedure Manuals Should Be Updated Or Established As Necessary**

**Division Section: Registration, Licensing, Financial Responsibility**

*Observation:*

Procedure manuals for clerks in the Registration, Licensing, and Financial Responsibility sections were either not current or nonexistent during fiscal year 1999. A current procedure manual was on file for Title section clerks.

- In the Registration section, procedure manuals for counter clerks and municipal agents were not current. The counter clerk manual was last updated approximately 10 years ago and the municipal agent manual was last updated approximately five years ago. The Division began the revision of the municipal agent manual during fiscal year 2000.
- In the Licensing and Financial Responsibility sections, no standard operating procedure manuals for counter clerks existed during fiscal year 1999. The Licensing section initiated the drafting of a procedure manual during fiscal year 2000.

Comprehensive and current procedure manuals provide assistance and guidance to employees. Procedure manuals also promote consistency in processing transactions according to management's plan and can be especially helpful to an organization for use as a training tool.

Had comprehensive and current procedure manuals been available to Registration section employees, some difficulties experienced with the new license plate issue may have been avoided. In addition, comprehensive and current procedure manuals may provide sufficient guidance to clerks to lessen the number of procedure related inquiries that appear to be taking a substantial amount of supervisor time and attention.



**Observation No. 4 - Clerk Procedure Manuals Should Be Updated Or Established As Necessary (Continued)**

*Observation (Continued):*

It is reported that the project to update the comprehensive procedure manuals has not been a priority for the Division as it has experienced significant turnover in the past few years and other projects have taken precedence.

*Recommendation:*

The Division should make relevant, comprehensive, and current procedure manuals available to all employees and municipal agents. The manuals should provide policies and procedures that promote consistency in processing transactions and support management's goals and objectives.

While it is recognized that maintaining such manuals is a time consuming task, updated manuals could increase efficiency, as employees become better educated and experienced in the Division's procedures and the number of errors and supervisor inquiries made by clerks due to the lack of knowledge in Division policies and procedures decreases.

*Auditee Response:*

We concur. The Division is currently writing Standard Operating Procedures (S.O.P.s) for each bureau and will use those S.O.P.s for the basis of future training programs of all employees.

**Observation No. 5 - System And User Documentation Should Be Updated Or Established As Necessary**

**Division Section: Registration, Licensing, Title, Financial Responsibility**

*Observation:*

System and user documentation for the Division's database applications are reportedly neither current nor comprehensive.

Data processing employees in the Division of Administration estimate that approximately 10% of system documentation and 30% of user documentation is current. Data processing personnel also reported that documentation for some database functions is not complete and some functions are not documented.

The Division runs the risk of significant disruption in operations in the event that critical systems develop problems that require immediate attention. This disruption could be compounded during periods when key data processing employees terminate employment.

**Observation No. 5 - System And User Documentation Should Be Updated Or Established As Necessary (Continued)**

*Observation (Continued):*

It is reported that the project to update the database system and user documentation has not been regarded as a priority for data processing personnel as other projects, such as the programming changes in registrations for the new license plate issue, have taken precedence.

Good information and technology practices require that an organization's information system is documented and that the system documentation is kept current. Comprehensive and current system and user documentation are necessary for system developers and users to carry out their responsibilities consistently, effectively, and in a controlled and timely manner.

*Recommendation:*

The Division, in conjunction with the Division of Administration, should place increased emphasis on its efforts to develop comprehensive system and user documentation for its applications. The Divisions should establish and maintain controls to ensure that this critical documentation remains current.

*Auditee Response:*

We concur. In October of 1999, the department hired a new bureau manager who possesses a background in structured systems development processes. In the past seven months the following structured standards have been developed and implemented:

1. A comprehensive 21 step Systems Development Methodology (SDM) has been created, tailored for the Department of Safety. One of the steps is for users to participate in the creation of User Documentation prior to implementation of software systems. Systems documentation is also a prerequisite to implementation and will be performed by systems analysts.
2. A department Steering Committee has been established and meets every two weeks. This gives Information Services staff a forum to involve users in our projects with specific deadlines in project plans. This will assist Information Services (IS) in attaining user assistance and sign-off on User Documentation.
3. The IS bureau development staffs (mainframe and personal computer) have been reorganized into functional teams of two to four systems analysts with each group having a team leader. Team leaders are responsible for carrying out the directives in the SDM including creating and updating documentation.

**Observation No. 5 - System And User Documentation Should Be Updated Or Established As Necessary (Continued)**

*Auditee Response (Continued):*

Future tasks that will contribute to better documentation include:

4. User approval of the SDM anticipated in June of 2000, which will verify users willingness to assist with the documentation update process.
5. Creation of documentation standards based on standards developed by the IS manager at another state agency.

The bureau is confident these measures will dramatically increase the volume and effectiveness of documentation department wide.

**Observation No. 6 - Clerk Access To Database Functions Should Be Limited**

**Division Section: Registration, Licensing, Financial Responsibility**

*Observation:*

Employee access permissions to the Division's database have not been subject to periodic comprehensive reviews.

In its response to a similar comment in our 1993 audit of the Department, management responded that it had initiated a project to periodically review all permissions with the authorizing management.

Reviews of the Division's employee computer access permissions in the Registration, Licensing, and Financial Responsibility sections were not performed during fiscal year 1999. Title section management reported that a procedure is in place to keep screen permissions current and, thus, a separate review of the permissions is not warranted. We noted no inappropriate screen permissions in the Title section.

Employee access to certain database functions is controlled by permissions and should be limited to the functions required by the employee's current job responsibilities. Access permissions are determined and approved in writing by the management of the user areas.

The following issues were noted during our review of access permissions:

- A review of the Division's access permission list dated December 22, 1999 revealed that at least fifteen of eighty-one employees (19%) with authorization to process registration transactions had inappropriate access permissions. This determination was made by management and was based upon the employees' current job responsibilities. An example of access determined to be inappropriate included counter clerk III(s) and IV(s) having access permissions to fee adjust their own work

## **Observation No. 6 - Clerk Access To Database Functions Should Be Limited (Continued)**

### *Observation (Continued):*

(e.g. reduce or eliminate a fee charged – money reported as collected – for a transaction).

Division management was aware that it was not current with its review of employee access permissions. Management reported that a review had not been performed because other projects took precedence.

- During fiscal year 1999, two clerks in the Licensing section had access permissions to fee adjust their own work. The fee adjust function in Licensing normally would require a second, usually supervisory authority, to approve the fee adjust. The ability of these clerks to approve their own fee adjusts resulted in a lack of adequate segregation of functions over these unusual transactions.
- Nine prior employees were still on the Division's access permission list even though they had terminated their employment with the Division prior to the December 22, 1999 date of the list. These individuals had previously been employees in either the Registration, Licensing, or Financial Responsibility sections of the Division and their employment termination dates ranged from July 23, 1998 to December 17, 1999.
- Access permissions are assigned to computer terminals instead of individuals for on-line municipal agent terminals - used to process registration and title transactions, and the credit card 1 and credit card 2 terminals - used to process financial responsibility transactions. These terminals function as "pool" terminals and are often shared by more than one user. There is no audit trail in the database to identify the individual users of these terminals and to determine whether the individuals have authorities to process transactions on the terminals.

Employees with improper access permissions may be able to bypass controls designed to require supervisory review and approval for problem transactions or established segregation of responsibility controls in the database. In order for management to have reasonable assurance that its controls are operating as designed, the controls must be kept current and compliance with the controls must be monitored for continued effectiveness.

[The Licensing and Financial Responsibility sections performed employee access permission reviews in January 2000.]

### *Recommendation:*

The Division should adhere to its policy of performing periodic reviews of employee access permissions. The periodic reviews should ensure that permissions are only granted to the extent that the user's responsibilities require. Permissions should not be granted which will

**Observation No. 6 - Clerk Access To Database Functions Should Be Limited  
(Continued)**

*Recommendation (Continued):*

compromise effective controls over the review and approval of transactions simply to expedite a process. The Division should also determine whether the use of pool terminals allows for appropriate accountability over transactions processed on those terminals.

*Auditee Response:*

We concur. See Auditee Response to Observation No. 3, page 11.

**Observation No. 7 - Clerks Should Not Fee Adjust Their Own Work**

**Division Section: Registration**

*Observation:*

Registration counter clerk III(s) and IV(s) fee adjust their own work with no supervisory review or approval needed to ensure that the fee adjustments are both necessary and appropriate.

As noted in other observations in this report, some Division clerks have the ability to fee adjust their own work. Fee adjustments are potentially problematic in that they allow clerks, in essence, to reduce the amount of receipts for which they are accountable. Inappropriate fee adjustments could be used to cover missing funds from frauds or errors.

The ability of clerks to fee adjust their own work was removed from the Licensing section in response to the alleged licensing fraud detected during fiscal year 1999. As noted in Observation No. 10, limitations in the Division's database processing of International Registration Plan (IRP) registrations require all IRP registrations to be fee adjusted. The Division reportedly has not removed the fee adjustment authority from its registration counter clerk III(s) and IV(s) because management has determined that IRP clerks need to have this authority to fee adjust under the current database design, and it would be impractical to have all IRP registration fee adjustments subject to a supervisory review.

*Recommendation:*

The Division should not allow its clerks to fee adjust their own work without supervisory review and approval of the adjustment. If the Division determines that IRP clerks need to continue to fee adjust their own work, pending a revision to the database to more efficiently process IRP registrations, the Division should only grant IRP clerks this authority and remove the authority from all other Registration section clerk III(s) and IV(s). The propriety of the fee adjustments of IRP clerks should be subject to a periodic supervisory review and, as noted in Observation No. 26, a reconciliation of the IRP VISTA registration system to the Division database should be performed.

## **Observation No. 7 - Clerks Should Not Fee Adjust Their Own Work (Continued)**

### *Auditee Response:*

We concur. Management proposes to control the number of registration clerks that have permission to fee adjust, until a new registration system is designed and implemented (see Auditee Response to Observation No. 10, page 22).

The Division recognizes the need to consolidate the functions of the Vehicle Information System for Tax Apportionment (VISTA) and International Registration Plan (IRP) registration systems to eliminate redundant keying of data, thereby removing the need for clerks to fee adjust.

We are currently taking steps to bring Lockheed Martin (VISTA), DMV Administrators, Division of Administration Administrators, and State Treasury employees together to work out this problem.

The authority to fee adjust IRP registrations will be removed from all other registration section clerks (IIIs and IVs), once a separate program is designed.

## **Observation No. 8 - Computer Access Controls Should Not Be Bypassed**

### **Division Section: Registration, Licensing**

#### *Observation:*

Registration and Licensing section employees appear to be bypassing computer access controls as a matter of convenience and without regard to accountability over processed transactions.

It is common practice for Registration and Licensing section employees to bypass established computer access controls by sharing user numbers and passwords and by allowing other users to "hop onto" active terminals and process transactions under another user's access authorities. Management has not effectively monitored and enforced access controls to ensure the integrity of the access control process and the accountability over processed transactions.

[A memorandum was issued on March 28, 2000 to all licensing employees advising that sharing user access would not be tolerated.]

#### *Recommendation:*

The Division should periodically monitor the continued effectiveness of and enforce the use of its computer controls. The Division should emphasize with its employees the importance of adhering to the Division's computer access security controls to guarantee accountability over recorded transactions.

**Observation No. 8 - Computer Access Controls Should Not Be Bypassed  
(Continued)**

*Auditee Response:*

We concur. Periodic monitoring of licensing and registration employees is performed by section supervisors to ensure that section employees are adhering to the Division's computer access security controls.

When Division employees fail to comply with computer access security controls, appropriate disciplinary action is taken.

The Division is looking for more automated security controls.

**Observation No. 9 - Processing No-Fee Transactions Should Be Better Documented**

**Division Section: Title**

*Observation:*

The method used by the Title section to process no-fee transactions does not document the transaction in the database record of clerk activity. The Title section's method is also inconsistent with the method used by the Registration, Licensing, and Financial Responsibility sections of the Division.

The application used by the Title section allows the clerk to input a "y" (yes) or "n" (no) to indicate whether or not a customer should be charged a fee for a title transaction. The applications used by the Registration, Licensing, and Financial Responsibility sections do not provide clerks the option for a nonpayment transaction. When other Division sections need to process a no-fee transaction, they must adjust the fees that are programmed in the database by using the fee adjustment function.

The method used by the Title section to process a no-fee transaction does not document, in the clerk's transaction history, that the clerk processed a no-fee transaction. In contrast, when the fee adjustment function is used in Registration, Licensing, or Financial Responsibility to process a no-fee transaction, the transaction is documented in the clerk's transaction history in the database detailed transaction report. While no-fee title transactions are listed on a database title notification report that is reviewed by title management on a regular basis, this report does not indicate which clerk processed the no-fee transaction and, thus, management can not readily review to determine whether individual clerks are processing unusual and possibly excessive amounts of no-fee transactions.

Good accounting practice includes procedures to ensure that transactions are processed in a manner that provides sufficient accountability for the transaction to enable management to review the performance of the personnel involved in the process.

**Observation No. 9 - Processing No-Fee Transactions Should Be Better Documented (Continued)**

*Observation (Continued):*

Consistency in the methods used to process transactions promotes efficiency and facilitates management's review of transactions in the accounting records. It was unclear whether there were any special circumstances applicable to the Title section that made using this nonstandard method of processing no-fee transactions necessary.

*Recommendation:*

The Division should review the methods used by the Title section to process no-fee transactions to determine whether the continued use of this method is appropriate. The Division may determine that the increase in controls provided by changing to the method used by the other sections would provide management with valuable additional transaction review capability as well as provide more consistency processing Division transactions.

*Auditee Response:*

We concur. A work order has been submitted for a tracking mechanism to account for titles issued where no-fee is involved.

**Observation No. 10 - Database Design Should Promote Accurate, Complete, And Efficient Transaction Postings**

**Division Section: Registration**

*Observation:*

The current Division database programs do not allow for the efficient recording of certain types of motor vehicle registration transactions.

The current programming of the Division's database necessitates users to routinely post fee adjustments to certain registration transactions. The database also excludes provisions for the registration of construction equipment and antique trailers.

Several cases of database use that increase the risk for errors or frauds and decrease the efficiency of transaction postings were noted in the Registration section.

**Fee Adjustments**

- Because the Division's database is not programmed to properly allocate International Registration Plan (IRP) revenue, clerks processing IRP registrations are required to fee adjust each IRP registration transaction to a zero fee and then post an allocation of the actual fees into the correct revenue accounts.



## **Observation No. 10 - Database Design Should Promote Accurate, Complete, And Efficient Transaction Postings (Continued)**

### *Observation (Continued):*

- The new plate issue began on January 1, 1999. For plate inventory control purposes, registration renewals, including late renewals, are keyed as new registrations. The database prorates new registrations so that the registration fee mirrors the portion of the year the registrant owned the vehicle. The fee for renewals, including late renewals, is the customary annual fee. Registering late does not waive a portion of the annual fee. Because all registrations are being keyed as new registrations to properly control the plate inventory, clerks are required to fee adjust each late renewal transaction in order to charge the statutorily required twelve-month registration fee.
- Since the new plate issue, the process used by clerks to correct a vanity-plate transaction causes a second vanity-plate fee transaction to be posted to the database accounting records. Clerks are required to fee adjust this second vanity-plate transaction fee to zero so that the customer is not charged twice for the same transaction.
- The research desk regularly uses the database's duplicate registration screen to obtain information needed (e.g. customer number, transaction date) to perform research in the Division's microfilm files. Using this duplicate registration screen results in the database posting a \$10 duplicate registration fee to the accounting records. Each time the duplicate screen is used for research purposes the user must fee adjust the \$10 transaction to zero. The Registration section uses the duplicate registration screen to perform research because it is the seemingly most efficient method.

Posting a transaction more than once is inefficient and also increases the risk of data entry errors. Using the fee adjust process as a routine transaction posting method increases the risk that clerks may cause an error or fraud by fee adjusting inappropriately. Because fee adjusts have become standard operating procedures in some registration transactions, the likelihood that unusual or inappropriate fee adjust transactions would be recognized in a review of clerk activity is greatly diminished.

### **Construction Equipment And Antique Trailer Registrations**

- The Division's database is not currently programmed to record construction equipment and antique trailer registrations in a manner consistent with other registrations. Construction equipment and antique trailer registration information is not recorded in the database but is recorded on a stand-alone electronic spreadsheet. As of February 17, 2000, the date of audit inquiry, there were 1,098 pieces of construction equipment and 8 antique trailer registrations not recorded in the database.

## **Observation No. 10 - Database Design Should Promote Accurate, Complete, And Efficient Transaction Postings (Continued)**

### *Observation (Continued):*

- The license plate and decal database inventory records related to construction equipment and antique trailers are not accurate. The plate inventory is not recorded in the database and the decal inventory is partially accounted for in the database. The receipt of the decal inventory is recorded in the database, however the issuance of decals to customers is not.

Using the database for most registration transactions and using a combination of the database and a stand-alone application to process the construction equipment and antique trailer registrations presents an inconsistency in processing which increases the risk of errors or frauds. The risk that incorrect registration fees could be charged is increased because the clerk determines the fee rather than the fee being automatically determined by the fee schedule programmed in the database. The plate and decal inventory records in the database are also not complete thereby lessening the value of this information to management.

### *Recommendation:*

#### **Fee Adjustments**

The Division should take measures to rectify the current database programming and related clerk processing issues that cause transactions to be routinely fee adjusted. In order to improve the efficiency of and controls over the registration process, clerks should be able to use fee adjustments only as an exception to, rather than the norm for, posting routine registration transactions. Management should regard transactions that are fee adjusted as potentially problematic transactions with an increased risk for error or fraud. All fee-adjusted transactions should require supervisory review and approval.

#### **Construction Equipment And Antique Trailer Registrations**

The Division should expand the database's applications to include an application that would fully account for construction equipment and antique trailer registrations and the related plate and decal inventories. The database serves as the Division's primary accounting record and should encompass the accounting for all activities.

### *Auditee Response:*

We concur. The current database program for Registration and Title is 15 years old (Pricewaterhouse Coopers).

In evaluating the on-line Municipal Agent program, we are attempting to enhance the existing software of all of Registration and Title; however, our hope is to buy a whole new system (\$10 million) which will accommodate the entire DMV.

**Observation No. 10 - Database Design Should Promote Accurate, Complete, And Efficient Transaction Postings (Continued)**

*Auditee Response (Continued):*

A work order is in place to address the issue with the construction equipment and antique trailers.

**Observation No. 11 - Requests For Changes To The Division's Database Should Be Completely Documented**

*Observation:*

For nine of ten database change requests reviewed, the employee who requested the change was not identified on the change request form document.

The database is at the core of the Division's management information system and includes the accounting system and the motor vehicle records system. Establishing effective controls over database changes minimizes the risk of disruption, unauthorized alterations, and errors. It is management's responsibility to ensure that the changes to the database are effectively controlled, including documenting the requestor of any change.

*Recommendation:*

Management should ensure that all controls related to database changes are followed.

Requests for changes to the database should be completely documented, including a signature of the requestor, before they are processed.

*Auditee Response:*

We concur. This has been addressed by a Steering Committee created by the Information Services Manager where all Division management prioritizes work order requests to determine the necessity and/or urgency.

**Observation No. 12 - Refunds Policy Needs To Be Established**

**Division Section: Registration, Licensing, Financial Responsibility**

*Observation:*

Division management has not established policies and procedures for refunding payments to Division customers.

- The Registration section processes both cash and check refunds over-the-counter if the request for the refund occurs on the same day as the original transaction.

## **Observation No. 12 - Refunds Policy Needs To Be Established (Continued)**

### *Observation (Continued):*

- The Financial Responsibility section processes same-day over-the-counter refunds for restoration transactions but not for ticket payment transactions.
- The Licensing section also processed same-day refunds over-the-counter during fiscal year 1999.

The manner in which same-day over-the-counter refunds are processed by the Division's database reportedly deletes the original revenue transaction, eliminating the accountability and the audit trail for the original receipt of revenue. In addition, the risk of errors or frauds is increased when refunds (or any payments) are made out of accumulated receipts and not processed through the disbursement controls built into the State's accounting system. Over-the-counter refunds are reportedly made by the Division to allow customers who have made a payment in error the opportunity to receive an immediate refund without waiting the time necessary to process a refund payment through the State's accounting system.

While there is little direct guidance in State policies regarding the processing of refunds, RSA 6:11 (III) states that all State departments receiving money for the State shall deposit the full amount of all such moneys into a Treasury or department bank account. In addition, per N.H. Admin. Rule, Adm 401.03 (a) (expired), cash receipts should be deposited intact. N.H. Admin. Rule, Adm 401.03 (c) (expired) which explains the State's refund process implies that all refunds should be processed through the State accounting system and not be made over-the-counter.

The Licensing section discontinued over-the-counter refunds effective November 1999 as a reaction to perceived risks in the process. Other sections of the Division continue to process over-the-counter refunds.

### *Recommendation:*

The Division should establish a formal refund policy that is comprehensive and consistently applied. In establishing this policy, the Division should consider its need to adequately control the revenues collected by the Division, its desire to provide service to its customers, and State accounting policies. If the Division determines that it needs to continue to issue same-day refunds, the Division should establish procedures that provide suitable controls to ensure that there is adequate segregation of responsibilities. The Division employee who originally receives the payment should not also be responsible for making the refunds. There should be an appropriate audit trail supporting all transactions, including refunds.

## **Observation No. 12 - Refunds Policy Needs To Be Established (Continued)**

### *Auditee Response:*

We concur. In Registration, currently all refund requests are submitted to the Division of Administration, Auditing Bureau, for review and verification of authenticity.

In Licensing, a program change is currently in process, whereby license applicants will pay for a license and/or non-driver identification at the end of the process rather than at the beginning. This change should virtually eliminate refunds in Driver Licensing. In the event one is required, it would be handled the same as Registration.

In Financial Responsibility (FR), refunds are processed through the Business Office after review and approval by the FR section Supervisor (one of 3 individuals).

No over-the-counter refunds are authorized by any DMV employees per management's directive of September 8, 2000.

## **Observation No. 13 - Clerk Close-Out Procedures Need To Be Monitored And Enforced**

### **Division Section: Registration**

#### *Observation:*

Registration counter clerks are not consistently following established close-out procedures.

Registration counter clerks are not required to adhere to cash drawer close-out control procedures that require a blind count of the clerks' accumulated receipts. Apparently, through the improper use of computer access authorities, clerks are able to avoid this control procedure to expedite the cash count at the end of the day.

Established procedures require counter clerks to perform a count of the accumulated receipts of the day and enter the total amount into their computerized point-of-sale terminal. The computer compares the accumulated transactions of the day to the amount entered by the clerk. The computer notifies the clerk of any discrepancies and requires the clerk to recount or otherwise resolve the differences. Occasionally, this resolution process requires the involvement of the clerk's supervisor. Clerk supervisors have password authorities to allow access to the computer-determined receipt amounts. This supervisor access is intended to allow the supervisors to assist in the resolution of differences. Rather than restricting the use of this access to difference resolution, supervisors are allowing clerks to obtain and inappropriately use this access to bypass the computer controls. Clerks are able to determine the computer-calculated total receipt activity prior to their count of the cash drawers. Clerks reportedly then simply count out the amount to match the computer total and do not attempt to reconcile the cash drawer. By bypassing this control, the detection of any errors that may have occurred in processing the day's transactions is delayed.

**Observation No. 13 - Clerk Close-Out Procedures Need To Be Monitored And Enforced (Continued)**

*Recommendation:*

The Division should monitor supervisor and clerk compliance with control procedures to ensure that the procedures are operating as designed and remain effective. Employees should not be allowed to avoid control procedures in an effort to expedite their daily work process without the knowledge and acquiescence of Division management.

*Auditee Response:*

We concur. Upper management has notified middle management to cease notifying each counter clerk what should be in the cash drawer prior to being counted.

If the drawer doesn't balance, the supervisor and employee will notify the Division of Administration, Auditing Bureau, immediately, as per our directive of September 8, 2000. We have established and improved controls over the cash-out process.

**Observation No. 14 - Accountability For Receipts Delivered To The Vault Should Be Improved**

**Division Section: Vault Activity**

*Observation:*

Accountability for cash and checks delivered to the vault for deposit is weak.

Counter clerks deliver cash and checks to the vault on a daily basis, generally at the end of the business day. The vault attendant counts the receipts the following day and agrees the total of the receipts to total financial activity recorded for the clerk in the Department's database. If there is a difference between the amount of cash and checks delivered to the vault for deposit and the total activity posted to the database, the vault attendant's procedure is to initially notify the clerk to attempt a resolution to the difference. If the issue can not be resolved, the attendant notifies the clerk's supervisor. If there is still no resolution, the attendant will manually change the clerk's close-out form to match the attendant's count of the receipts. The reason for the adjustment to the clerk's close-out form and the clerk's agreement to that adjustment is not always documented. Also, there are no procedures at the Division to periodically review the types, amounts, and frequencies of the adjustments made by the attendant to determine the cause and appropriateness of the adjustments.

Because the attendant is able to unilaterally change close-out forms and the amounts of deposits without review and approval, there is no accountability over shortages in amounts submitted to the vault for deposit.

**Observation No. 14 - Accountability For Receipts Delivered To The Vault Should Be Improved (Continued)**

*Recommendation:*

The optimal control situation would provide for the attendant to count each clerk's deposit amount in the clerk's presence. This would provide the clerk and the attendant the opportunity to challenge any subsequent determination of a shortage amount. While this level of control may not be possible at the Division, the accountability for cash and checks delivered to the vault for deposit should be improved.

The reasons necessitating any changes by the attendant to clerk close-out forms should be documented. Also, the clerk and the supervisor should be notified in writing whenever the attendant changes a close-out form. Supervisors should review the need for adjustments in determining the performance and training needs of the clerks and the vault attendant.

*Auditee Response:*

We concur. When Auditee Response to Observation No. 13, page 26, is adhered to, the vault attendee(s) will accept the balanced drawers with close-out forms.

Those clerks whose drawers don't balance will resolve the discrepancy with a Division of Administration auditor.

**Observation No. 15 - Close-Out Documentation For Concord Office Clerks Should Be Made Consistent**

**Division Section: Licensing, Financial Responsibility**

*Observation:*

Documentation used by clerks in the Concord office to close out at the end of the day is not consistent within the Division.

Clerks in sections that have available printers (Title and Registration sections) use a close-out form generated by the Department's database. This form lists the total cash, checks, and other payments received by the clerk. Clerks in sections that do not have available printers (Licensing and Financial Responsibility sections) use a manual form to list the total of the payments received. Some clerks do not complete any close-out form and submit their accumulated receipts to the vault for deposit without any accompanying documentation.

Inconsistency in documentation over similar processes decreases efficiency and promotes the risk that errors and frauds could occur and not be detected in a timely manner.

**Observation No. 15 - Close-Out Documentation For Concord Office Clerks Should Be Made Consistent (Continued)**

*Recommendation:*

The Division should standardize the close-out documentation and related procedures as much as possible to establish a consistency and controls that will promote efficiency in the deposit procedures and the detection of errors and frauds.

*Auditee Response:*

We concur. As a result of the LBA audit, management has confirmed that the close-out documentation capability utilized by both Registration and Title is available to Licensing and Financial Responsibility and will be implemented.

**Observation No. 16 - Controls Over Access To The Vault Need To Be Reestablished**

**Division Section: Vault Activity**

*Observation:*

The Division's vault access controls have become ineffective due to the lack of enforcement and the lack of maintenance efforts.

The Division has a vault used to secure funds prior to deposit. During fiscal year 1999, approximately \$11 thousand of cash and \$125 thousand of checks were processed daily through the Division's vault. Access to funds held in the vault is controlled by a vault-room door with a key lock, an inner vault door with a combination lock, and cash drawers that use a two-lock system. After hours, the vault area is monitored by a motion detector security system. During business hours, an attendant stationed in the vault room controls access to the unlocked vault.

- Access to the Division's vault room is not sufficiently restricted. There is no physical barrier or control to keep unauthorized individuals out of the vault room. This is especially concerning as the public is serviced in a room which adjoins the vault room and has a clear view of the cash counting process in the vault room. The desk at which the cash is counted is located close to the door and we noted instances where cash and checks were left unattended on the desktop when the vault attendant left the desk to enter the vault or left the room momentarily.<sup>1</sup>

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<sup>1</sup> We also noted during an observation of vault activity on October 6, 1999, that the vault attendant left for the day at 3:45, leaving the vault and vault room doors open. An end-of-day attendant reported to the vault room at 4:05. During the time the vault room and vault were left unattended, several employees entered the vault room to work with items temporarily stored there.



## **Observation No. 16 - Controls Over Access To The Vault Need To Be Reestablished (Continued)**

### *Observation (Continued):*

- The vault room is used for temporary secure storage for Division mail and supplies as well as for counting daily deposits. Because the room is used for other purposes in addition to counting and holding cash and check receipts, there is an increased amount of traffic in the vault room that increases the risk of loss of receipts processed in the vault room. This secondary use of the vault room also may play a part in the vault attendant not consistently locking the vault room door when he leaves the room unattended. When the door to the vault room is locked, the room is not necessarily secure as a key to the lock is generally available.
- While the combination to the lock in the vault has not been changed since the 1980s the risk this poses does not appear significant as the vault door is not locked during the day and the vault room is monitored after hours by a security system. The security over the cash drawers within the vault however could be improved. The keys to the cash drawers in the vault have never been changed. Keys have been lost, terminated employees have failed to return keys, and keys to the drawers are often stored on a rack in the vault room. Also, the vault attendant normally keeps the secondary lock on the drawers unlocked during the day bypassing the control of a two-lock system, which encourages the presence of two persons in the vault to transfer money. Also, not all cash and checks left in the vault are secured in a locking drawer. We noted instances where cash and checks were left in a cardboard box, left on top of a cart, and left in an unlocked file cabinet. Cash and checks that are not locked in a drawer may be accessible to and subject to theft by other users of the vault.

### *Recommendation:*

The Division should reestablish controls over access to the vault.

- Access to the vault room should be further restricted. There should be a physical barrier or other control to keep unauthorized individuals from entering the vault room. The vault attendant's cash counting station should be located away from the doorway to ensure that people passing by the room could not have access to cash and checks. Cash and checks should not be left unattended on a desktop, regardless of the duration of the attendant's absence.
- The Division should take steps to limit employee traffic in the vault room. The Division should consider either removing the temporary storage items in the vault room or requiring the vault attendant to be responsible for storage and delivery of the items upon request. Traffic in the vault room and vault should be limited to that necessary for the safe storage and deposit of Division receipts. The vault room should be secured whenever the vault attendant leaves the room and the spare key to the vault room should be safeguarded and not be left generally available.

**Observation No. 16 - Controls Over Access To The Vault Need To Be Reestablished (Continued)**

*Recommendation (Continued):*

- Controls over access to the cash and checks in the vault should be reestablished. All cash and checks stored in the vault should be secured in locking drawers. The Division should take steps to reestablish controls over access to the cash drawer keys. Employees with assigned keys should be reminded of the need for security of keys and copies of keys should not be accessible to employees or others that gain access to the vault room. The vault attendant should accompany Division employees leaving cash bags in the vault. The control provided by the two-lock system should be utilized.

*Auditee Response:*

We concur. A dutch door with an electric strike has been ordered for the vault room. Upon installation all employees, except vault attendants, will be prohibited from entering.

A third person will assist the 2 vault attendants as required.

Cash drawers will be controlled by the vault attendants only. The vault will never be left unlocked and unattended. This has already occurred pursuant to a directive issued April 11, 2000, the vault attendees hours are from 7:00 a.m. to 5:30 p.m. to accommodate all Division personnel. The door from Room 109A into the main Registration room will be removed and become a wall.

There are currently only 4 keys to the vault room; upper management (1), middle management (1), and the two vault attendants (2).

In remodeling the back Registration room, cupboards with locks will be built to accommodate paperwork not involving cash or checks. We recognize that some work should be locked up, but not necessarily in the vault.

**Observation No. 17 - Procedures To Process Atypical Receipts Timely Need To Be Established**

**Division Section: Registration, Financial Responsibility**

*Observation:*

While the vast majority of checks received by the Registration and Financial Responsibility sections are processed on the day they are received, certain checks received in the mail by these sections are not processed timely. The Registration and Financial Responsibility sections do not have established procedures to effectively deal with these atypical checks.

**Observation No. 17 - Procedures To Process Atypical Receipts Timely Need To Be Established (Continued)**

*Observation (Continued):*

In the Registration section, delays in processing checks are typically caused by checks received in payment having been made out in the wrong amount. Prior to processing these checks, the Registration section generally tries to correspond with the customer to resolve the payment problem. In the Financial Responsibility section, delays are typically caused by the receipt of checks with no or insufficient accompanying documentation or checks that are post-dated.

- A count of unprocessed checks in the Registration section on January 28, 2000 revealed a total of 105 checks that were not yet recorded or deposited. The check dates ranged from November 8, 1999 to January 21, 2000.
- A count of unprocessed checks in the Financial Responsibility section on April 24, 2000 revealed a total of 26 checks that were not yet recorded or deposited. The oldest check was dated March 6, 1998.

Holding an unprocessed and unrecorded check for an extended period of time, rather than either depositing the check on the day of receipt or refusing payment and returning the check to the customer in a timely manner, increases the risk of loss or misappropriation of the check.

*Recommendation:*

The Division should develop and implement procedures to deal with these atypical checks. Checks should not be held unprocessed for extended periods of time. The procedures implemented by the Division should guide the sections in the timely resolution of problem receipts to ensure that all revenue is collected and recorded in a timely and controlled manner.

*Auditee Response:*

We concur. Management will issue a directive to employees and create a Standard Operating Procedure (S.O.P.s) whereby all cash/checks will be rung the day of receipt.

In the event money is received with no pertinent information, it will be forwarded to the Division of Administration for applying to the "Other Revenue/Miscellaneous" account.

## **Observation No. 18 - Unprocessed Checks Should Be Secured**

### **Division Section: Registration**

#### *Observation:*

The Division does not appear to require all Division clerks to follow standard procedures for safeguarding unprocessed checks.

Checks that remain unprocessed at the end of the day at the “problem” mail desk and the boat registration desk are not consistently kept in secure locations overnight or when clerks leave their workstations during the day.

- Registrations that are received through the mail which can not be immediately processed, for reasons such as an incorrect check amount or incomplete documentation accompanying the check, are remitted to the “problem” mail desk for resolution or return to the customer.
- The boat registration desk receives checks that, due to workload, are sometimes not processed on the day received.

Unprocessed checks at the “problem” mail desk and boat desk are stored in unlocked desk drawers overnight and when clerks are away from their workstations during the day.

Good accounting practice requires that all receipts are properly safeguarded to reduce the risk of loss, theft, or misuse.

#### *Recommendation:*

The Division should establish and enforce procedures to ensure that all checks are properly secured overnight and in the clerk’s absence during business hours. Unprocessed checks collected by the “problem” mail desk and the boat registration desk should be secured in the vault overnight and in an otherwise suitable and secured location during business hours, especially when the checks are left unattended.

#### *Auditee Response:*

We concur. Management would like to apply the Auditee Response to Observation No. 17 to boat registration work, but realistically, that just can’t happen. Large volumes of renewals are received from January through April, too large to be rung daily.

However, the recommendation of securing these unprocessed checks in the vault will be adhered to and a Standard Operating Procedure (S.O.P.) will accompany that directive.

## **Observation No. 19 - Control Processes Need To Be Secured To Remain Effective**

### **Division Section: Registration**

#### *Observation:*

License plate decals and registration validation stamps are not consistently kept in secure locations during the workday.

The Division's use of license plate decals and registration validation stamps are significant components of the Division's controls over the issuance of motor vehicle registrations. The Division reportedly has an unwritten policy requiring clerks to store their assigned license plate decals and registration validation stamp in secured locations when their workstations are not in use.

On two separate occasions during audit fieldwork, we observed unattended workstations that had license plate decals and the registration validation stamps left out on the counter unsecured.

Control processes must be consistently applied, monitored, and safeguarded in order to remain effective. Allowing unauthorized access to control processes raises the possibility that the processes may be compromised and rendered ineffective.

#### *Recommendation:*

The Division should formalize its control policies, including requiring the license plate decal and registration validation stamp controls to be properly safeguarded. Employee compliance with these control policies should be monitored to ensure that they remain effective and operate as designed by management.

#### *Auditee Response:*

We concur. Management is pursuing alternative methods of producing decals in a more secure manner.

Decals would be imprinted on demand at the time of processing the transaction. For inventory purposes, the decal number will be the plate number.

The blank material comes in rolls housed in a printer which can be utilized by several work stations.

This same piece of equipment can produce registration certificates in the same manner, thus eliminating the "Director's stamps."

Until this is implemented, all employees have been told to secure their areas.

## **Observation No. 20 - Controls Over Petty Cash Should Be Enhanced**

### **Division Section: Vault Activity**

#### *Observation:*

The controls over the Division's \$1,000 petty cash fund are weak, increasing the Division's exposure to misappropriation of the fund.

A \$1,000 petty cash fund is maintained in a locking metal box in the Division's vault. The fund is used as a source of cash from which change is made for the Division's counter clerks.

Controls over the fund are lax as evidenced by the following:

- The cash box key is often left in the lock or in an unlocked desk drawer and the vault door is often left unsecured when the vault attendant is absent from the vault; and
- Activity in the petty cash fund is not monitored or reported. The vault attendant, who acts as the custodian of the fund, periodically counts the fund to determine whether it is whole. Any shortage or overage in the fund is adjusted through the daily deposit of Division revenue. The shortages are not documented or reported to management.

#### *Recommendation:*

Access to the petty cash fund should be controlled better. The cash box should be locked at all times and access to the key should be limited to the vault attendant.

An individual independent of the operation of the petty cash fund should perform and document periodic random counts of the petty cash. Results of the counts should be reported to management. Shortages in the fund should be reported by the custodian of the fund and made up by processing a State payment voucher. All Division revenues should be deposited intact and should not be used to make up shortages in the Division's petty cash fund.

#### *Auditee Response:*

We concur. See Auditee Response to Observation No. 16, page 30.

In addition, the petty cash fund will be counted by at least one vault attendee on a weekly basis. A ledger will be filed with the Division of Administration documenting the account, indicating that it balances or whatever discrepancies may be found.

Fund shortages for reimbursement of the petty cash fund will be administered in accordance with Manual of Procedures (M.O.P.) 304.9.

## **Observation No. 21 - Employees Should Not Have Access To State Funds During Off-Duty Hours**

### **Division Section: Registration, Licensing**

#### *Observation:*

It is not uncommon for licensing and registration clerks to bring their Division-issued change funds home at the end of the day.

- In the Registration section, clerks that will be temporarily assigned to an alternate worksite bring their change fund home in the evening. This allows the clerks to travel directly to the alternate worksite the following day with their change funds.
- In the Licensing section, clerks regularly bring their change funds home at the end of the day regardless of whether they have been assigned to an alternate worksite on the following day.

The purpose of the change funds is to provide clerks who collect fees from the public with start-up cash to make change. Change funds are issued to individual employees and not to locations. The Division maintains records of the funds and the employee is held responsible to return the fund at their termination of employment or change in employment status. Change funds for registration and licensing clerks generally range from \$50 to \$150 each. In February 1999, ninety-five change funds totaling \$8,600 had been issued to clerks in these sections.

The Division's exposure to loss or misappropriation of State assets is increased when the State's cash is stored at non-business sites. In addition, issuing change funds to individuals instead of locations exposes the Division to increased risk that change funds lose their identity as State funds and become regarded by the clerks as personal funds. An environment that is seen to promote the commingling of funds facilitates improper cash handling and securing procedures such as cash overages and shortages may not be properly disclosed, and improper cashing of checks and temporary borrowing may occur. This risk is especially concerning as the Division does not perform unannounced and independent test counts of clerks' funds.

#### *Recommendation:*

The Division should consider assigning change funds to locations instead of to clerks. Assigning funds to locations will eliminate the necessity to take the funds off-site and will encourage more complete and accurate daily cash outs, as all funds would have to be whole prior to close-out.

If the Division determines that it is necessary to continue assigning change funds to employees, only employees that need to travel to a temporary worksite should be allowed to take the funds off-site. All other change funds should be secured on-site when not in use.

**Observation No. 21 - Employees Should Not Have Access To State Funds During Off-Duty Hours (Continued)**

*Recommendation (Continued):*

Regardless of whether the Division changes the basis for the assignment of its change funds, the Division should enact a policy of periodically performing unannounced and independent test counts of clerks' funds. This will help ensure that any cash overages or shortages are properly and timely disclosed.

*Auditee Response:*

We concur. Upper management has requested that the Division of Personnel approve "branch manager" positions at each of our satellite locations.

This position will be responsible for securing all petty cash funds and overseeing the daily operation of each facility.

As you recommended, change funds could then be assigned to locations versus employees.

The new DMV Business Administrator III will coordinate with the Division of Administration to periodically perform unannounced audits of clerks' funds at the satellite offices.

**Observation No. 22 - Security Of Change Funds Should Be Reviewed**

**Division Section: Financial Responsibility**

*Observation:*

Counter clerks in the Financial Responsibility section store their change funds overnight in locking file cabinets and do not store the funds in the vault, as is the practice of most other Division sections.

Normal procedure for the Registration and Title sections is to store change funds in the vault overnight. The counter clerks in the Licensing section are permitted to, and as a normal practice, store their change funds at home overnight. Observation No. 21 addresses State funds being brought home overnight.

Good accounting practice includes procedures to ensure that assets are properly safeguarded against unauthorized acquisition, disposition, or use. The vault provides the maximum security available at the Division for safeguarding change funds when not in use. When assets are stored somewhere other than the vault, the risk for unauthorized acquisition, disposition, or other misuse of the funds is increased as is the Division's potential difficulty in maintaining accountability over all of its funds.



## **Observation No. 22 - Security Of Change Funds Should Be Reviewed (Continued)**

### *Recommendation:*

The Division should review the current procedure for storing change funds in the Financial Responsibility section and consider revising the procedure to require that all change funds be stored in the vault overnight and at other times when the funds are not in use. This procedural change will increase security for the change funds, establish consistency in procedures among the various sections within the Division, and also improve accountability over the funds.

### *Auditee Response:*

We concur. The hours of the vault attendants have been changed to accommodate all employees, i.e., 7:00 a.m. – 5:30 p.m.

Counter clerks in Financial Responsibility will be notified to turn in their cash drawers daily, the same as Registration and Title currently do.

Relative to Driver Licensing, see Auditee Response to Observation No. 21, page 36.

## **Observation No. 23 - Registration Procedures Should Be Revised To Make Accounting For Plate And Decal Inventory A Reliable Control Process**

### **Division Section: Registration**

#### *Observation:*

The Division's current practices for recording license plate and decal transactions hinders the Division's ability to maintain good computerized license plate and decal inventory records and related control procedures.

The Division performs a physical count of all motor vehicle license plates and decals at the end of each fiscal year. This physical count is used as the source for reporting plate and decal inventory balances to the Department of Administrative Services at fiscal year end. Although the Division's database includes an inventory tracking mechanism, a reconciliation of the perpetual records to the year-end physical count was not completed for fiscal year 1999, and, according to agency personnel, a reconciliation may not be feasible because the integrity and accuracy of the inventory balances in the Division's database are in question.

Examples of Division practices that hinder good computerized license plate and decal inventory records include the following.

- The database is programmed to put "used" license plates back into inventory. "Used" plates are defined by the Registration section as a motorist's old alphanumeric plate

**Observation No. 23 - Registration Procedures Should Be Revised To Make Accounting For Plate And Decal Inventory A Reliable Control Process (Continued)**

*Observation (Continued):*

that is turned in for a new-issue number plate, a plate that was lost by the customer, or a damaged plate that is being returned to the plate warehouse to be destroyed. In most cases, the used plate is no longer in the Division's possession. Because used plates are erroneously put back into inventory in the database, the plate warehouse is unable to use plate-inventory reports to determine when inventory levels are low. The plate warehouse relies heavily on information provided by Concord and substation employees and municipal agents to order more plate inventory.

- As noted by the Division's internal auditors in a municipal agent audit, the database does not contain adequate controls to prevent registration clerks from issuing the same decal number to two different license plates. The Division's internal auditors noted several instances where one decal number was incorrectly recorded as being issued to more than one license plate.
- The PWC3 (personal watercraft 3) jet ski access decal inventory count in the database is overstated. Jet ski decals are recorded in inventory by the warehouse when received. However, there is no mechanism in the database to record the issuance of decals to customers. The boat desk reported that there are currently 2,500 jet ski decals recorded in the inventory as "in stock" even though these decals have been issued to customers. While the purpose of the jet ski decal, according to registration management, was to help marine patrol determine the difference between the 2-seaters and 3-seaters, the decals contain an identifying number which could be effectively used by the Division to control inventory if the database was programmed correctly.
- As noted in Observation No. 10, the license plate and decal inventory records related to construction equipment and antique trailers are not accurate as the plate inventory is not recorded in the database and the decal inventory is only partially accounted for in the database.

*Recommendation:*

The Division should take measures to revise its registration procedures to make the accounting for license plate and decal inventories a reliable control process. Necessary computer programming changes should be made to provide for an accurate accounting of inventory levels.

Once it is determined that the database is properly accounting for the Division's license plate and decal inventories, the Division should be able to use the database to help manage inventory levels and as a check against plates issued and revenues received.

**Observation No. 23 - Registration Procedures Should Be Revised To Make Accounting For Plate And Decal Inventory A Reliable Control Process (Continued)**

*Recommendation (Continued):*

Periodic reconciliations between physical plate and decal inventory counts and computerized inventory records will be necessary to ensure that the inventory records remain current and accurate.

*Auditee Response:*

We concur.

See Auditee Response to Observation No. 10, page 22.

See Auditee Response to Observation No. 19, page 33.

Inventory control has been of concern to upper management, especially since the general plate issue January 1, 1999. We will be working with the Division of Administration to establish procedures for periodic reconciliations.

Alternative methods for issuance of license plates and decals are currently being evaluated.

**Observation No. 24 - Procedures For Recording The Issuance Of Overweight Trailer Decals Should Be Revised**

**Division Section: Registration**

*Observation:*

The Division is not recording the issuance of decals for overweight trailers in a consistent manner which, according to Division personnel, is due to the lack of an appropriate mechanism in the Division's database to record these decals.

The Division charges a \$105 annual fee in accordance with RSA 266:18-d for inspection and certification of the tractor units of tractor-trailer vehicles carrying weight in excess of the limits specified in RSA 266:18-a. There is no additional charge for the overweight trailer inspection and certification. Separate overweight certification decals are issued by the Division for the tractor's and trailer's license plates.

While there is a mechanism in the Division's database to account for the issuance of overweight tractor decals, the Division's database does not appear to be programmed to record the issuance of overweight trailer decals.

**Observation No. 24 - Procedures For Recording The Issuance Of Overweight Trailer Decals Should Be Revised (Continued)**

*Observation (Continued):*

The Division currently uses one of the following two methods to record the issuance of these decals:

- 1) Clerk accesses the out-of-state overweight tractor decal screen in the Division's database to record the trailer decal information which automatically assesses a \$105 fee to the transaction. [It is unclear why the Division is using the out-of-state screen as opposed to the in-state screen in the database.] The clerk then fee adjusts the \$105 fee since the Division charges no fee for a trailer decal. This method records the trailer decal information in the database, reduces the fee to zero, and adjusts the inventory count accordingly to reflect the issuance of the trailer decal. Our testing of selected transactions revealed that a Division substation used this method frequently.
- 2) Clerk accesses the inventory status change screen in the Division's database and records the status of the trailer decal as "damaged". This method records no detailed trailer decal information in the database, inaccurately records the status of the decals as "damaged", assesses no fee to the transaction in accordance with Division policy, and adjusts the inventory count accordingly to reflect the issuance of the decal. Our testing of selected transactions revealed that the Concord office used this method frequently.

Using two different methods to account for overweight trailer decals is an inconsistency in processing which increases the risk of errors or frauds. In addition, the overweight trailer decal inventory records in the database are inaccurate and incomplete, thereby lessening the value of this information to management. The Division should be aware that using the fee adjust function as a routine transaction posting method lessens the effectiveness of management review of adjustments as a control process.

*Recommendation:*

The Division should expand the database's applications to include an application that would fully, accurately, and consistently account for the overweight trailer decal inventory and eliminate the need for fee adjustments in processing these transactions.

*Auditee Response:*

We concur.

See Auditee Responses to Observation Nos. 7 and 10, pages 18 and 22, respectively.

## **Observation No. 25 - Inventory Status Of Registration Decals And Inspection Stickers Should Be Recorded In A Timely Manner**

### **Division Section: Registration**

#### *Observation:*

The status of issued, unissued, returned, or damaged registration decals and inspection stickers is not consistently recorded in the Division's information system in a timely manner.

- Clerks in the Concord office are reportedly not consistently recording the status of inspection stickers returned by inspection stations to the Division in a timely manner. Although the normal procedure is to record the status of inspection stickers when the transaction occurs, Division personnel reported instances where the status of inspection stickers was not recorded in the information system for as long as two months after the customer returned damaged stickers and booklets of issued and unissued stickers to the Division.
- Concord and substation clerks are reportedly not consistently recording the status of damaged registration decals received from municipal agents in a timely manner. For example, a Division internal audit review of a municipal agent's activity noted that the Concord office apparently misplaced the damaged decals returned by the municipal agent prior to processing and recording the return of the decals in the Division's information system.

Untimely and inaccurate accounting for registration decals and inspection stickers may lessen the effectiveness of the Division's use of these documents as controls in its motor vehicle registration and inspection programs.

#### *Recommendation:*

Division supervisors should monitor and enforce compliance with established procedures to ensure that the status of issued, unissued, returned, or damaged registration decals and inspection stickers is recorded in the Division's information system in a timely manner.

#### *Auditee Response:*

We concur. Upper management has issued a directive to all Registration clerks that returned damaged stickers and booklets of issued and unissued stickers should be recorded by personnel at the dealer/inspection desk.

Upper management has submitted a directive to all municipal agents to return damaged decals to the Department of Safety warehouse, which is where all supplies, plates, etc. are inventoried.

## **Observation No. 26 - International Registration Plan (IRP) Fees Calculated By VISTA Should Be Reconciled To Recorded Fee Revenue**

### **Division Section: Registration**

#### *Observation:*

The IRP fees due New Hampshire and other jurisdictions, as determined by the VISTA software program, are not reconciled to the actual fees recorded in the Division's database accounting system and resulting financial reports.

The IRP program is a reciprocity agreement for the registration of vehicles, typically trucks involved in interstate commerce. The IRP program provides for an allocation of vehicle registration fees to the member districts (member states and provinces of Canada) on the basis of miles operated by the registered vehicle in the various jurisdictions.

The Division, and many other participating IRP jurisdictions, uses VISTA to process IRP registrations. VISTA includes the fee structures of the member states and provinces and calculates the total registration fee due New Hampshire and the amount due each state and province based on the mileage reported by the owner of the vehicle. The portions of the fee due the Division and the other jurisdictions are then input into the Division's accounting system.

The lack of a reconciliation between VISTA and the Division's database accounting records increases the risk that an error or fraud in the IRP fee collection and/or recording activities would not be detected in a timely manner.

#### *Recommendation:*

The Division should periodically reconcile IRP registration revenue as recorded by VISTA to IRP registration revenue as recorded in its database accounting system and resulting financial reports.

The reconciliation should be performed by someone independent of VISTA and the posting of the fee revenue to the database accounting system.

#### *Auditee Response:*

We concur. Upper management will address this issue through the Business Administrator III to set up a Standard Operating Procedure to have an auditor reconcile the Vehicle Information System for Tax Apportionment (VISTA) report with the International Registration Plan (IRP) revenue recorded in our database on a regular basis.

**Observation No. 27 - Procedures To Ensure Receipt Of International  
Registration Plan (IRP) Revenues Due The Division  
Could Be Improved**

**Division Section: Registration**

*Observation:*

The Registration section does not have sufficient controls to ensure that it would detect the absence of an IRP revenue remittance if it did not receive a transmittal report and the related payment from the respective jurisdiction (state or province).

The IRP program is a plan for the registration of vehicles, typically trucks involved in interstate commerce, which must travel in two or more member jurisdictions. It is a registration reciprocity agreement among states in the United States and the provinces of Canada that provides for the payment of registration fees on the basis of miles operated in the various jurisdictions. Each registration fee is paid to the respective base jurisdiction. Each base jurisdiction is then responsible for remitting the revenue due to each particular state or province.

The IRP section receives monthly transmittal reports from jurisdictions that have collected IRP revenues due New Hampshire. This transmittal report serves as notice to the IRP section that it is or will be receiving IRP revenue from a particular jurisdiction. When the IRP section receives a transmittal report, it records the receipt of the report, including the reporting month and the amount due New Hampshire, in a manual log that is organized by jurisdiction. When the revenue is received, it is also noted in the manual log.

The IRP section relies heavily on presumed external controls to determine whether IRP revenues collected by jurisdictions for New Hampshire are remitted to New Hampshire. The IRP section relies on other jurisdictions complying with the IRP regulations rather than applying procedures in-house to detect cases of a jurisdiction's nonpayment.

*Recommendation:*

The Division should develop and implement procedures to facilitate the detection of missing revenue remittances or errors in revenue remittances received from other jurisdictions. Consideration should be given to automating the current log. Recording the data in a spreadsheet or database would allow for ease of current and historical analyses and support the timely detection of a jurisdiction's missed payment. The Division should also consider periodically contacting member jurisdictions and confirming the IRP revenue amounts remitted to help ensure the Division has received all the revenue that it is due.

*Auditee Response:*

We concur. Standard Operating Procedures (S.O.P.s) will be developed to record revenues due from other jurisdictions.

We will convert the manual recording log into a spreadsheet or database.

**Observation No. 28 - The Division Should Use Analytic Procedures To Review Revenues And Division Operations For Reasonableness**

**Division Section: Registration, Licensing, Title, Financial Responsibility**

*Observation:*

The Division does not use analytic procedures to review revenues for reasonableness.

Analytic procedures, such as a comparison of the number of licenses issued to the amount of license revenue collected, are powerful tools available to management to review and control Division activity. Plausible relationships should exist between the number of licenses, registrations, and titles issued and the respective revenues recognized from each activity. While these broad-scope analytic procedures are not effective controls over individual transactions, these analytic procedures can be used to support management's financial statement assertions and overall confidence in the Division's operations.

As discussed in other observations, other narrower-scope analytic procedures such as the comparisons of clerks' activity, including cash-out problems, adjustments issued, etc., can also provide Division management with important information on employee performance. Potential problems that could require additional resources such as training and other supervisory involvement may be detected from these types of analytic procedures.

The Division's business office has reportedly considered performing analytic procedures to determine whether revenue amounts appear reasonable but has not actually applied such procedures.

*Recommendation:*

The Division should further consider performing analytic procedures to review revenue amounts for reasonableness and also as a review of section and clerk performance.

*Auditee Response:*

We concur. In order for analytic procedures to review revenues for reasonableness, the Division of Administration and Information Services must collect appropriate data. DMV management discussed this with the new Manager of Information Services. It definitely would be a powerful tool in comparing actual transactions versus revenues collected, and we are working toward that goal.



## State Compliance Comment

### **Observation No. 29 - The Division's Organizational Structure Should Be As Described In Statute**

*Observation:*

According to RSA 21-P:9, II, the administration of the motor vehicle road toll law is to be "under the control of the director of motor vehicles". However, in practice, motor vehicle road toll is budgeted under, and is organizationally part of, the Division of Administration.

Statutes describing an organization's structure should reflect the actual structure.

*Recommendation:*

The Department's actual organization should follow the organizational structure outlined in statute. If the Department determines that the structure outlined in statute is not the most effective and efficient, the Department should request legislation to amend the statute.

*Auditee Response:*

We concur. The budget is the last item that passes the Legislature, which becomes Law. The discrepancy will be addressed in the upcoming Legislative Session.

## **Auditor's Report On Management Issues**

*To The Fiscal Committee Of The General Court:*

We have audited the accompanying Combined Statement of Revenues – Budget and Actual – General and Highway Funds of the New Hampshire Department of Safety, Division of Motor Vehicles for the year ended June 30, 1999 and have issued our report thereon dated May 12, 2000. This financial statement reports revenues collected directly by the Division of Motor Vehicles.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

In planning and performing our audit of the financial statement of the Division of Motor Vehicles for the year ended June 30, 1999, we noted certain issues related to the operation of the Division that merit management consideration but do not meet the definition of a reportable condition as defined by the American Institute of Certified Public Accountants, and were not issues of noncompliance with laws or rules.

Those issues that we believe are worthy of management consideration but do not meet the criteria of reportable conditions or noncompliance are included in Observations No. 30 through No. 32 of this report.

This auditor's report on management issues is intended solely for the information of the management of the Division of Motor Vehicles and the Fiscal Committee of the General Court and is not intended to be and should not be used by anyone other than these specified parties.

*Office Of Legislative Budget Assistant*

Office Of Legislative Budget Assistant

May 12, 2000

## Management Issues Comments

### **Observation No. 30 - The Division Should Encourage More Municipal Agents To Process Transactions On-Line**

#### **Division Section: Registration**

##### *Observation:*

Motor vehicle registrations issued by off-line municipal agents were not keyed into the Division's database in a timely manner during fiscal year 1999 and through the end of our audit fieldwork on May 12, 2000.

As of the date of our audit inquiry on December 10, 1999, there were 185 municipal agents that processed motor vehicle registrations and titles for the Division. Twelve of the 185 agents were on-line with the Division and input registration and title transactions directly into the Division's database. The remaining 173 off-line municipal agents forwarded registration and title documentation to Concord or a designated Division substation for keying into the database.

During the period covered by the audit and audit fieldwork, it was reported that municipal agent documentation was keyed into the Division's database from four to twelve weeks after the transaction occurred. Registration section management cited the new license plate issue, which began on January 1, 1999, as the primary reason for the backlog.

The backlog in keying municipal agent transactions created a variety of issues for the Division.

- According to Division management, some New Hampshire residents who held valid registrations issued by municipal agents have been fined and/or have had their vehicles impounded when subject to an out-of-state traffic stop when a motor vehicle records check of the Division's database reported that the vehicle registration was not current. While in-state police officers are generally aware of the potential time lag involved in keying registrations into the database, out-of-state police officers are not aware of the time lag and may not believe a motorist's claims of current registration.
- Again according to Division management, some New Hampshire residents who applied for motor vehicle titles at off-line municipal agents have been subject to significant delays in receiving the titles. The untimely receipt of motor vehicle titles experienced by some New Hampshire residents was, according to Division management, directly related to the backlog in keying municipal agent documentation into the database.

**Observation No. 30 - The Division Should Encourage More Municipal Agents To Process Transactions On-Line (Continued)**

*Observation (Continued):*

- The business office's monthly reconciliation between the State's accounting system (NHIFS) and the Division's database was being performed untimely because corrections of errors in the database and the related issuances of short slips, credit memos, refunds, and correspondence to customers could not be performed until after the municipal agent transactions were initially keyed into the database. The monthly reconciliations were reportedly being performed from 12 to 16 weeks after the month end during calendar year 1999. Prior to the new plate issue, monthly reconciliations were generally completed within six weeks of the month end, which the business office considers to be timely. Delaying reconciliations generally makes the reconciliation process more difficult and also delays the allocation of revenue out of the Department of Safety's holding account and into the appropriate revenue accounts.

Efforts by the Division to key the off-line municipal agents' work have resulted in Concord and substation employees working extra hours and being paid overtime. Despite these efforts and the fact that the new plate issue was essentially complete for passenger vehicles at the end of calendar year 1999, the backlog of municipal agent work still exists. It is clear that the Division's process of keying off-line municipal agents' work is inefficient and costly to the Division and to the citizens of New Hampshire.

*Recommendation:*

The Division should continue with its efforts to encourage more municipal agents to process registration and title transactions on-line. According to Registration section management, municipal agents are somewhat hesitant to go on-line due to concerns with a perception of accepting additional requirements and responsibilities. The Division should review its current process of and experience with getting municipal agents on-line and determine how to expedite the process. The Division should work with the municipal agents to relieve, as much as possible, the concerns of the municipal agents in order to gain their cooperation in making the process of registering and titling motor vehicles more efficient for the Division and for the citizens of New Hampshire.

Increasing the number of on-line municipal agents should help relieve the transaction keying backlog, however it will require significant human and technical resources and time. In the near term, the Division should examine keying workloads across its substations and Concord office to determine whether the current allocation of work is facilitating an efficient and effective remedy to the keying backlog.

*Auditee Response:*

We concur. The Department of Safety has every intention of deploying its Motor Vehicle software in municipalities at a rapid pace, currently scheduled at a rate of 18 municipalities per year. The current hindrance to accelerating this pace is the lack of training personnel.

**Observation No. 30 - The Division Should Encourage More Municipal Agents To Process Transactions On-Line (Continued)**

*Auditee Response (Continued):*

Several activities are underway to reinitiate the rollout during September 2000. The Department understands the benefits of this continued rollout and is working closely with all municipal agents to keep them informed of the Department's plans. Communications with municipal agents has been accomplished through Department manager's attendance at regional town clerk meetings, municipal agent meetings and status reports sent directly to all municipalities in the State.

**Observation No. 31 - The Division Should Consider Developing A Formal Customer Service Plan**

**Division Section: Registration, Licensing, Title, Financial Responsibility**

*Observation:*

Based on other observations found in this report, it appears that the Division, for the sake of perceived efficiency in order to meet management's objective for speedy customer service, allowed controls to be compromised. While bypassing controls can expedite processes and relieve customer waiting time, it comes with an increased risk to the Division for frauds and errors to occur.

Management is responsible for setting the tone of the Division and is the primary influence on the control consciousness of its employees - on the degree of importance its employees attach to controls. Management is also responsible for establishing effective management controls. According to the U.S. General Accounting Office, management controls, in the broadest sense, include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, controlling, and monitoring program operations.

In matters relating to balancing expedited customer service with adequate internal control, the Division appears to operate in a reactive rather than a proactive manner. While the Division has a responsibility to serve the public in an efficient and effective manner, it also has responsibility for establishing and maintaining internal controls for safeguarding State assets. The Division is sensitive to the fact that customers typically do not want to experience waiting in line for service and it appears, based on the observations in this report, that the Division in the past has allowed clerks to bypass controls in a reaction to long customer waiting lines when the necessary human and technical resources to address customer needs are not otherwise available.

Customer service concerns, including policies on staffing and response to customer waiting lines, are significant to the Division's operations. The Division's response to this issue should be organized, directed, controlled, and monitored according to an established plan.

**Observation No. 31 - The Division Should Consider Developing A Formal Customer Service Plan (Continued)**

*Observation (Continued):*

An established plan, which formally considers and balances the apparently contrary aspects of speedy customer service with a high control consciousness at all levels of the Division, should serve to advance and communicate to the Division's employees management's chosen balance between customer service and internal controls.

The absence of an established plan to meet the needs of the customers and still adequately control the related processes and safeguard assets promotes an environment where employees may believe that it is appropriate for controls to be bypassed in order to serve customers more quickly.

*Recommendation:*

The Division should take measures to cultivate a high degree of control consciousness among its employees and ensure its employees understand the Division's priorities.

The Division should consider developing a customer service plan that will ensure a proper balance between customer needs for speedy service and Division needs for adequate controls. Plan development could include a study of resource allocation optimization, current and desired service capacities, and queuing systems. Consideration should be given to increase Division acceptance of payments by credit cards, to reduce the handling of cash and checks, and research into e-business, such as on-line registrations and licensing, to increase customer service. An established plan that is effectively monitored should promote customer satisfaction, allow for efficient and effective processes, and support the safeguarding of assets.

*Auditee Response:*

We concur. Upper management recognizes the need for a strategic plan for DMV. We are planning a retreat for that purpose in January 2001.

Our goals are to educate our employees on the priorities and direction of the Division.

A more complete review by management addressing customer service needs will be discussed at that session.

Two DMV bureaus currently accept credit cards, and our goal is to implement this usage Division-wide.

A DMV web site is in process and all alternatives of doing business electronically are being considered.

## **Observation No. 32 - Documentation And File Maintenance Practices Should Be Reviewed**

### **Division Section: Registration, Licensing**

#### *Observation:*

Revenue testing revealed missing registration and license applications, missing or illegible ring lines on applications, and an absence of support documentation for a certain class of Division transactions.

Revenue testing focused on exception transactions, such as fee amounts that were adjusted to a zero fee and no-charge transactions. Fee adjustments to zero or no-charge transactions could represent: 1) the issuance of a license and/or registration to military personnel or certain disabled veterans, 2) corrections of accounting errors, or 3) fraud. One hundred sixty-one transactions were tested. These 161 transactions were related to 143 applications or other primary source documents from the registration, licensing, title, and financial responsibility sections. [In some cases more than one transaction was related to a single document.] Documentation supporting Division transactions generally is microfilmed and the paper documents disposed of. While we found no indication of fraud in the transactions we tested, the following points were noted during testing.

- In 43 of the 143 tested items, the reason for a fee adjustment to zero or a no-charge transaction was unclear due to the lack of supporting documentation on file at the Division.
  - In accordance with RSA(s) 263:11, I and 263:42, III respectively, no fee is charged for driver licenses for members of the armed forces and certain disabled veterans. Certain disabled veterans also pay no registration fees (RSA 261:141, VIII). Individuals in these groups are required to submit documentation (e.g. military affidavit, certification from the U.S. Department of Veterans Affairs) to the Division that evidences their military or disabled veteran status in order to receive a license and/or registration at no charge. In some cases, the Division did maintain this documentation which functioned as support for the adjusted/zero fee charged. However, according to Division personnel, the military affidavits received during calendar year 1998 were not available because they were discarded in January 2000 and were not microfilmed. Disabled veteran certifications for certain selected test items could not be located in either paper form or microfilm copy.
  - No supporting documentation was on file for test items that appeared to be corrections to the accounting records.

## **Observation No. 32 - Documentation And File Maintenance Practices Should Be Reviewed (Continued)**

### *Observation (Continued):*

- Five documents lacked a ring line and ring lines on three documents were illegible.
  - The ring line is significant because it is the link between the source document and the posting of the transaction to the accounting records. To apply a ring line to a document, the employee processing the transaction inserts the document into a system printer and the same transaction information (e.g. fee amount received, user number of employee who processed transaction) that is posted to the database accounting system is printed on the document.

The integrity of a transaction is increased when there is documentation to support the nature and the amount of the transaction.

### *Recommendation:*

The Division should review its documentation and file maintenance practices and determine whether current practices are adequate to provide for management's desired degree of support for amounts posted to the accounting records. Following this assessment, the Division should establish written policies and procedures for its documentation and file maintenance practices. Consideration should be given to: 1) retaining the military or veteran status certifications for a period, at a minimum, that coincides with the same time period the no-charge license and/or registration is in effect, 2) the need for documentation that evidences authorized corrections to the accounting records, and 3) file maintenance issues including defining what documents should be on file, document retention period, and microfilm quality.

### *Auditee Response:*

We concur. Upper management is currently in the process of reviewing all transactions and collecting all required documentation to be kept on file in the form of micro-film.

Employees will be instructed to monitor the quality of the ring lines on all documents, and will be spot-checked continually by middle management.



## **Independent Auditor's Report**

*To The Fiscal Committee Of The General Court:*

We have audited the accompanying Combined Statement of Revenues – Budget and Actual – General and Highway Funds of the New Hampshire Department of Safety, Division of Motor Vehicles for the year ended June 30, 1999. This financial statement reports revenues collected directly by the Division of Motor Vehicles. This financial statement is the responsibility of the Division's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, certain financial activity of the Division of Motor Vehicles for the year ended June 30, 1999, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statement referred to in the first paragraph. The accompanying schedules on pages 60 through 63 are presented for the purpose of additional analysis and are not required parts of the financial statement of the Division of Motor Vehicles. Such information has been subjected to the auditing procedures applied in our audit of the financial statement referred to in the first paragraph and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2000 on our consideration of the Division of Motor Vehicles' internal control over financial reporting and on our tests of its compliance with certain provisions of laws and rules.

*Office Of Legislative Budget Assistant*

Office Of Legislative Budget Assistant

May 12, 2000

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**COMBINED STATEMENT OF REVENUES  
BUDGET AND ACTUAL - GENERAL AND HIGHWAY FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>General Fund</u>		<u>Favorable/ (Unfavorable) Variance</u>
	<u>Budget</u>	<u>Actual</u>	
<b><u>Revenues</u></b>			
<b><u>Unrestricted Revenues</u></b>			
Financial Responsibility Bureau	\$ 6,150,000	\$ 9,093,689	\$ 2,943,689
Title Bureau	2,976,000	2,846,487	(129,513)
Registration Bureau	1,772,000	2,042,752	270,752
Licensing Bureau	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-
<b>Total Unrestricted Revenues</b>	<b><u>\$ 10,898,000</u></b>	<b><u>\$ 13,982,928</u></b>	<b><u>\$ 3,084,928</u></b>
<b><u>Restricted Revenues</u></b>			
Registration Bureau	\$ 4,588,068	\$ 5,476,722	\$ 888,654
Licensing Bureau	2,897,446	2,691,455	(205,991)
Financial Responsibility Bureau	1,385,904	1,605,541	219,637
Title Bureau	973,963	888,686	(85,277)
Miscellaneous	-0-	26,835	26,835
<b>Total Restricted Revenues</b>	<b><u>\$ 9,845,381</u></b>	<b><u>\$ 10,689,239</u></b>	<b><u>\$ 843,858</u></b>
<b>Total Revenues</b>	<b><u>\$ 20,743,381</u></b>	<b><u>\$ 24,672,167</u></b>	<b><u>\$ 3,928,786</u></b>

The accompanying notes are an integral part of this financial statement.

<u>Highway Fund</u>			<u>Combined Totals (Memo Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
\$ 1,661,000	\$ 1,902,943	\$ 241,943	\$ 7,811,000	\$ 10,996,632	\$ 3,185,632
2,870,000	2,852,700	(17,300)	5,846,000	5,699,187	(146,813)
48,379,000	50,364,755	1,985,755	50,151,000	52,407,507	2,256,507
8,365,000	8,055,703	(309,297)	8,365,000	8,055,703	(309,297)
4,127,700	3,074,199	(1,053,501)	4,127,700	3,074,199	(1,053,501)
<b><u>\$ 65,402,700</u></b>	<b><u>\$ 66,250,300</u></b>	<b><u>\$ 847,600</u></b>	<b><u>\$ 76,300,700</u></b>	<b><u>\$ 80,233,228</u></b>	<b><u>\$ 3,932,528</u></b>
1,014,443	3,274,259	2,259,816	\$ 5,602,511	\$ 8,750,981	\$ 3,148,470
-0-	-0-	-0-	2,897,446	2,691,455	(205,991)
-0-	-0-	-0-	1,385,904	1,605,541	219,637
-0-	-0-	-0-	973,963	888,686	(85,277)
-0-	-0-	-0-	-0-	26,835	26,835
<b><u>\$ 1,014,443</u></b>	<b><u>\$ 3,274,259</u></b>	<b><u>\$ 2,259,816</u></b>	<b><u>\$ 10,859,824</u></b>	<b><u>\$ 13,963,498</u></b>	<b><u>\$ 3,103,674</u></b>
<b><u>\$ 66,417,143</u></b>	<b><u>\$ 69,524,559</u></b>	<b><u>\$ 3,107,416</u></b>	<b><u>\$ 87,160,524</u></b>	<b><u>\$ 94,196,726</u></b>	<b><u>\$ 7,036,202</u></b>

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statement of the Division of Motor Vehicles has been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Financial Reporting Entity**

The Department of Safety, Division of Motor Vehicles is an organization of the primary government of the State of New Hampshire. The accompanying financial statement reports the revenues collected by the Licensing, Registration, Title, and Financial Responsibility Bureaus of the Division. Not included in this financial statement is the revenue collected on behalf of the Division by the New Hampshire Court System and the revenue collected by the Road Toll Bureau, which is reported by the Department's Division of Administration.

The revenues collected by the Division of Motor Vehicles are accounted for and reported in the General and Highway Funds in the State of New Hampshire's Comprehensive Annual Financial Report (CAFR).

**B. Basis Of Presentation - Fund Accounting**

The State of New Hampshire and the Division of Motor Vehicles use funds and account groups to report on their financial position and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

## **NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **B. Basis Of Presentation - Fund Accounting (Continued)**

#### *Governmental Fund Types*

##### General Fund

The General Fund accounts for all financial transactions not specifically accounted for in any other fund. By law, and with certain exceptions, all revenues of governmental funds are paid daily into the State Treasury. All such revenues, other than certain designated revenues, are credited to the General Fund. Annual expenditures that are not allocated by law to other funds are charged to the General Fund.

##### Special Revenue Fund

The Highway Fund, one of the State's Special Revenue Funds, is used to account for specific revenue sources that are legally restricted to expenditures for specific purposes. Under the State Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the State from motor vehicle registration fees, operators' licenses, gasoline road toll, or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within this state, including the supervision of traffic thereon and for the payment of the interest and principal of bonds issued for highway purposes.

### **C. Measurement Focus And Basis Of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the flow of current financial resources measurement focus and reported on a modified accrual basis of accounting. Accordingly, the State of New Hampshire accounts for its financial transactions relating to the General and Highway Funds on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which obligations are incurred as a result of the receipt of goods or services, except that interest on long-term debt is recognized as an expenditure when it becomes payable.

### **D. Budgetary Data**

#### *General Budget Policies*

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes annual budgets for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting

## **NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **D. Budgetary Data (Continued)**

#### *General Budget Policies (Continued)*

all expenditure needs as well as estimating revenues to be received. There is no constitutional or statutory requirement that the Governor propose, or the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary fund types with the exception of the Capital Projects Fund. The Capital Projects Fund budget represents appropriations for individual projects, which extend over several fiscal years. Fiduciary-type funds are not budgeted.

The New Hampshire biennial budget is composed of the initial operating budget, supplemented by additional appropriations. These additional appropriations and estimated revenues from various sources are authorized by Governor and Council action, annual session laws, and existing statutes which require appropriations under certain circumstances. As shown on the Schedule of Budgetary Components - General Fund on page 60, and Highway Fund on page 61, the final budgeted amount includes the initial operating budget plus supplemental appropriation warrants, balances brought forward, and transfers.

Budgetary control is at the department level. All departments are authorized to transfer appropriations within their departments with the prior approval of the Joint Legislative Fiscal Committee and the Governor and Council. Additional fiscal control procedures are maintained by both the Executive and Legislative Branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial system. The Legislative Branch, represented by the Joint Legislative Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or are legally defined as non-lapsing accounts. Capital Projects Fund appropriations are scheduled to lapse two years from the date appropriated unless extended or designated as non-lapsing by law.

## **NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **D. Budgetary Data (Continued)**

#### *Variances - Favorable/(Unfavorable)*

The variance column on the Combined Statement Of Revenues - Budget And Actual - General And Highway Funds highlights differences between budget and actual revenues. Variances are caused by actual revenue exceeding budget, generating a favorable variance, or actual being less than budget, generating an unfavorable variance.

### **E. Interpretation Of Combined Totals (Memo Only) Columns**

Total columns have been included in the Combined Statement of Revenues and Expenditures - Budget and Actual - General and Highway Funds. The total columns include interfund activity and are presented only to facilitate financial analysis. Data in these columns do not present financial activity in conformity with generally accepted accounting principles.

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**SCHEDULE OF BUDGETARY COMPONENTS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Operating Budget</u>	<u>Supplemental Appropriation Warrants</u>	<u>Balances Brought Forward</u>	<u>Net Transfers In/(Out)</u>	<u>Budget</u>
<b><u>Revenues</u></b>					
<b><u>Unrestricted Revenues</u></b>					
Financial Responsibility Bureau	\$ 6,150,000	\$ -0-	\$ -0-	\$ -0-	\$ 6,150,000
Title Bureau	2,976,000	-0-	-0-	-0-	2,976,000
Registration Bureau	1,772,000	-0-	-0-	-0-	1,772,000
<b>Total Unrestricted Revenues</b>	<b>\$ 10,898,000</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 10,898,000</b>
<b><u>Restricted Revenues</u></b>					
Registration Bureau	\$ 4,502,920	\$ 85,148	\$ -0-	\$ -0-	\$ 4,588,068
Licensing Bureau	2,672,605	224,644	197	-0-	2,897,446
Financial Responsibility Bureau	1,324,406	61,498	-0-	-0-	1,385,904
Title Bureau	940,126	33,837	-0-	-0-	973,963
Miscellaneous	-0-	-0-	-0-	-0-	-0-
<b>Total Restricted Revenues</b>	<b>\$ 9,440,057</b>	<b>\$ 405,127</b>	<b>\$ 197</b>	<b>\$ -0-</b>	<b>\$ 9,845,381</b>
<b>Total Revenues</b>	<b>\$ 20,338,057</b>	<b>\$ 405,127</b>	<b>\$ 197</b>	<b>\$ -0-</b>	<b>\$ 20,743,381</b>



**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**SCHEDULE OF BUDGETARY COMPONENTS  
HIGHWAY FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Operating Budget</u>	<u>Supplemental Appropriation Warrants</u>	<u>Balances Brought Forward</u>	<u>Net Transfers In/(Out)</u>	<u>Budget</u>
<b><u>Revenues</u></b>					
<u>Unrestricted Revenues</u>					
Financial Responsibility Bureau	\$ 1,661,000	\$ -0-	\$ -0-	\$ -0-	\$ 1,661,000
Title Bureau	2,870,000	-0-	-0-	-0-	2,870,000
Registration Bureau	48,379,000	-0-	-0-	-0-	48,379,000
Licensing Bureau	8,365,000	-0-	-0-	-0-	8,365,000
Miscellaneous	4,127,700	-0-	-0-	-0-	4,127,700
<b>Total Unrestricted Revenues</b>	<b>\$ 65,402,700</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 65,402,700</b>
<u>Restricted Revenues</u>					
Registration Bureau	-0-	-0-	1,014,443	-0-	1,014,443
<b>Total Restricted Revenues</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$1,014,443</b>	<b>\$ -0-</b>	<b>\$ 1,014,443</b>
<b>Total Revenues</b>	<b>\$ 65,402,700</b>	<b>\$ -0-</b>	<b>\$1,014,443</b>	<b>\$ -0-</b>	<b>\$ 66,417,143</b>

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**SCHEDULE OF REVENUES - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

**Unrestricted Revenues**

Financial Responsibility Bureau	
Court Fines-Plea By Mail	\$ 6,992,081
Motor Vehicle Record Search Fees	1,084,805
Court Admin. Fees-Plea By Mail	1,021,517
Default Holding Account	<u>(4,714)</u>
Total Financial Responsibility Bureau	<b>9,093,689</b>
Title Bureau	
Certificate Of Title Fees	2,792,287
Title Fines	<u>54,200</u>
Total Title Bureau	<b>2,846,487</b>
Registration Bureau	
Boat Registration Fees	1,803,587
Dealer License Fees	215,156
Other	<u>24,009</u>
Total Registration Bureau	<b>2,042,752</b>
<b>Total Unrestricted Revenues</b>	<b><u>\$ 13,982,928</u></b>

**Restricted Revenues**

Registration Bureau	
Special Vanity Plate Fees	\$ 2,925,605
Transfer From Dept. Of Transportation	2,502,117
Motorcycle Registration Fees	<u>49,000</u>
Total Registration Bureau	<b>5,476,722</b>
Licensing Bureau	
Transfer From Dept. Of Transportation	2,055,245
Motor Vehicle Operator License Fees	302,219
Motorcycle License Fees	169,825
Motorcycle Instruction Fees	<u>164,166</u>
Total Licensing Bureau	<b>2,691,455</b>
Financial Responsibility Bureau	
Transfer From Dept. Of Transportation	1,250,971
License Reinstatement Fees	<u>354,570</u>
Total Financial Responsibility Bureau	<b>1,605,541</b>
Title Bureau	
Transfer From Dept. Of Transportation	<u>888,686</u>
Total Title Bureau	<b>888,686</b>
Miscellaneous	
Overpayments Retained For Future Credit	<u>26,835</u>
Total Miscellaneous	<b>26,835</b>
<b>Total Restricted Revenues</b>	<b><u>\$ 10,689,239</u></b>
<b>Total Revenues</b>	<b><u>\$ 24,672,167</u></b>

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF SAFETY  
REVENUES COLLECTED BY THE  
DIVISION OF MOTOR VEHICLES**

**SCHEDULE OF REVENUES - HIGHWAY FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

**Unrestricted Revenues**

Financial Responsibility Bureau	
License Reinstatement Fees	\$ 1,426,440
Registration Restoration Fees	278,175
Court Fines - Plea By Mail	131,964
Out-Of-State Default Restoration Fees	61,650
Default Holding Account	<u>4,714</u>
<b>Total Financial Responsibility Bureau</b>	<b>1,902,943</b>
Title Bureau	
Certificate Of Title Fees	<u>2,852,700</u>
<b>Total Title Bureau</b>	<b>2,852,700</b>
Registration Bureau	
Motor Vehicle Registration Fees	43,063,551
IRP - N.H. Based Truck Registration Fees	3,025,498
IRP - Non-N.H. Based Truck Registration Fees	2,169,477
Inspection Sticker Fees	1,658,049
Overweight Motor Vehicle Application Fees	383,355
Annual Inspection Station Fees	64,700
Validation Stamp Deposits	<u>125</u>
<b>Total Registration Bureau</b>	<b>50,364,755</b>
Licensing Bureau	
Motor Vehicle Operator License Fees	7,967,063
Non-Driver Picture ID Card Fees	<u>88,640</u>
<b>Total Licensing Bureau</b>	<b>8,055,703</b>
Miscellaneous	
Over/Short Accounts	(50,465)
Other	2,887,480
Municipal Agent Holding Account	<u>237,184</u>
<b>Total Miscellaneous</b>	<b>3,074,199</b>
<b>Total Unrestricted Revenues</b>	<b>\$ 66,250,300</b>
<b>Restricted Revenues</b>	
Registration Bureau	
License Plate Manufacture Fees	\$ 3,482,602
IRP Registration Fees Due Other States	<u>(208,343)</u>
<b>Total Registration Bureau</b>	<b>3,274,259</b>
<b>Total Restricted Revenues</b>	<b>\$ 3,274,259</b>
<b>Total Revenues</b>	<b>\$ 69,524,559</b>

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**APPENDIX**

**CURRENT STATUS OF PRIOR AUDIT FINDINGS**

The following is a summary, as of May 12, 2000 of the status of the observations contained in the audit report of the Department of Safety for the eighteen months ended December 31, 1993 that were related to the operations of the Division of Motor Vehicles. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301-4906.

	<b>Status</b>
<b>Internal Control Structure</b>	
<i>Material Weaknesses</i>	
1. Inadequate Audit Trail – Nixdorf Computer System	● ● ●
<i>Reportable Conditions</i>	
5. Inadequate Supporting Documentation (See Current Year Observation No.32)	○ ○ ○
6. Processing And Security Of Receipts (See Current Year Observations Nos. 17 And 18)	● ○ ○
7. Recurring Issues With System Documentation (See Current Year Observation No. 5)	○ ○ ○
8. User Access Privileges To Nixdorf (See Current Year Observation No. 6)	○ ○ ○
9. Untimely Revenue Deposits And Distributions From The Holding Account (See Current Year Observations Nos. 17 And 30)	○ ○ ○
10. Motor Vehicle Fines Estimated Revenue	● ● ●
13. Understatement Of Revenues And Expenditures	● ● ●
15. Plates And Decals Computerized Inventory System (See Current Year Observation No. 23)	○ ○ ○
<b>State Compliance</b>	
19. Financial Responsibility Not Returning Security As Required	● ● ●

**Status Key**

Fully Resolved	● ● ●
Substantially Resolved	● ● ○
Partially Resolved	● ○ ○
Unresolved	○ ○ ○

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