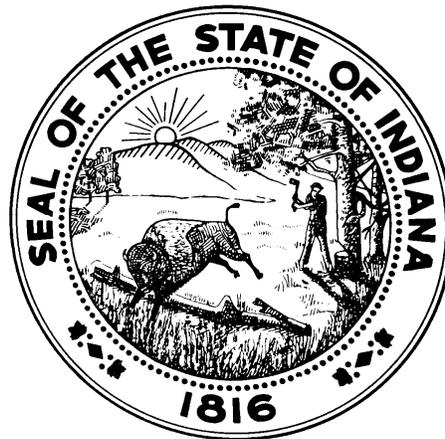


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT
OF

BUREAU OF MOTOR VEHICLES,
BUREAU OF MOTOR VEHICLE COMMISSION, AND
ALL INDIANA LICENSE BRANCHES
STATE OF INDIANA

Review Periods of July 1, 2006 to June 30, 2007



FILED
02/12/2008

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner of the Bureau of Motor Vehicles and Chairman of the Bureau of Motor Vehicles Commission	Joel L. Silverman Ronald L. Stiver	07-01-05 to 10-15-06 10-16-06 to 01-11-09



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE BUREAU OF MOTOR VEHICLES, THE BUREAU OF
MOTOR VEHICLES COMMISSION, AND ALL INDIANA LICENSE BRANCHES

We have reviewed the processes and records of the Bureau of Motor Vehicles, the Bureau of Motor Vehicles Commission, and all Indiana license branches for the period July 1, 2006 to June 30, 2007. The Bureau of Motor Vehicles, Bureau of Motor Vehicles Commission, and all Indiana license branch's management are responsible for the processes and records.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the processes and records of the Bureau of Motor Vehicles, the Bureau of Motor Vehicles Commission and all Indiana license branches. Accordingly, we do not express such an opinion.

In planning and performing our review we considered the internal controls over financial reporting in order to determine our review procedures and not to provide assurance on the internal control over financial reporting. Accordingly, we do not provide assurance on the effectiveness of the internal control over financial reporting.

Supplementary information of the individual license branches' receipts, disbursements and balances is not available.

As a result of performing our review of the Bureau of Motor Vehicles, the Bureau of Motor Vehicles Commission, and Indiana license branches, as of and for the year ended June 30, 2007, we have prepared the following review comments. We noted certain conditions in the design or operation of one or more of the internal control components that, in our judgment, need to be addressed by management. We also noted certain issues of noncompliance with statutes and policies that, in our opinion, should be communicated to management. In the report we issued for the year ended June 30, 2006, we identified 25 review comments. The review comments contained in this report continue 9 of the 25 findings and discontinue 14 from the 2006 report. We repeated 2 comments whose issues were resolved after June 30, 2007, but prior to the issuance of this report. We have added 2 new findings to this report. Management is cognizant of the importance of sound internal controls and is in the process of implementing and monitoring these controls. Management has and is showing substantial progress toward addressing the items presented in the prior and current review. Since the issuance of the prior report, management has shown a 48% reduction in findings, from 25 to 13.

The internal control conditions and the issues of noncompliance are discussed in the following review comments. These and other internal control issues were expressed to management in separate letter dated December 11, 2007.

STATE BOARD OF ACCOUNTS

December 11, 2007

BUREAU OF MOTOR VEHICLES, BUREAU OF MOTOR VEHICLE COMMISSION,
AND ALL INDIANA LICENSE BRANCHES
REVIEW RESULTS AND COMMENTS
June 30, 2007

INTRODUCTION

This comprehensive review combines the findings relating to the Bureau of Motor Vehicles (BMV), the Bureau of Motor Vehicles Commission (BMVC), and all Indiana license branches and partial service branches. These entities have significant interrelated operations.

The license branches function as the primary site for issuing driver licenses, auto and watercraft registrations, and license plates. The fees for licenses, registrations, and plates and the associated excise and wheel taxes are collected at license branches. During the fiscal year, five branches operated on a contractual basis. These partial service branches utilized the Support Tracking and Record Support (STARS) computer system directly to process transactions.

The system used by the license branches to provide the above services has been developed and is maintained by the BMV. The BMV is responsible for accurate and timely distribution of the fees and taxes collected. In addition, the BMV supports the training and continuing operations within the branches; contracts for services and products; serves as a resource for county officials with excise tax questions; and performs numerous other duties.

New during the fiscal year was the ability of ten auto dealerships to perform certain title and registration transactions onsite. The dealerships cannot access STARS but perform computerized transactions through a third party, Computerized Vehicle Registration (CVR). The Bureau anticipates expanding into other dealerships and American Automobile Association (AAA) offices.

The BMVC has been established by Indiana Code. The Commission consists of five individuals appointed by the Governor to serve four year terms and the Commission Chairperson who is the Commissioner of the BMV. Except for the Commissioner, members are not required to devote full-time to their commission duties. Commission duties include developing and updating bureau policy; establishing standards for the operation and maintenance of license branches; and submitting budget proposals for the commission, the bureau, and the branches.

INTERNAL CONTROL STRUCTURE AND ENVIRONMENT

Internal controls consist of all the measures taken by an entity for the purpose of; (1) protecting its resources against waste, fraud, and inefficiency; (2) ensuring accuracy and reliability in accounting and operating data; (3) securing compliance with the laws and regulations; and (4) evaluating the level of performance of the entity. Internal controls are simply good business practices.

As part of the review of the Bureau of Motor Vehicles (BMV), we considered different elements of the agency's internal control structure including the control environment, risk assessment, control activities, monitoring and the information and communication that are to occur throughout the processes.

The nature of our findings indicates that the control environment was deficient in multiple areas, yet significant progress has been made since the last review. Improvements include: a listing of bank accounts maintained up-to-date; a team organized to reconcile bank accounts; segregation of duties in the collections process in the central office; and a committee formed of County Auditor and Bureau of Motor Vehicles (BMV) staff to address excise tax distribution issues. A team studied needed changes to legislation, presented proposals to the Indiana legislators, and was successful in getting some laws updated. We noted that the internal audit department is generally playing an important role in assessing the controls of license branch operations.

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(Continued)

Our review noted deficient controls in areas such as the accounting system, the inventory system, computerized transaction processing, and Special Disbursing Officer funds (SDO).

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

Indiana Code 5-13-5-1(a) states: "Every public officer who receives or distributes public funds shall: (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and (2) balance the cashbook daily to show funds on hand at the close of each day."

We recommended that management continue with their efforts to address control environment weaknesses. We also recommended that they dedicate the resources necessary to resolve the findings within our report and any problems identified by the BMV.

ACCOUNTING RECORDS

The System Tracking and Record Support (STARS) system does not provide accounting information. STARS was designed to process the source transactions, but does not have an associated comprehensive accounting system, including the maintenance of a ledger balance. The STARS system reports the amounts to distribute, but the amounts are not tied to cash received. Bureau personnel do not know at any close of business day what the balance of their receipts or cash on hand should be or to which fund it is due.

As a governmental entity, the Bureau of Motor Vehicles (BMV) has a responsibility to maintain reliable accurate financial information. An effective accounting system is necessary to provide a structure for consistent, accurate, and balanced reports and to ensure that money collected is being distributed accurately and in a timely fashion. Reports could also be used by management for planning, budgeting and other decision making.

The BMV's central office accounting was largely that of processing transactions, without a corresponding accounting system. Approximately one billion dollars in transactions were processed by the BMV for the fiscal year ended June 30, 2007; however, the STARS report designed to classify collections by the revenue transaction types was not yet functional at December 11, 2007. Without the accounting system to adequately track and report the financial transactions processed, the information presented for review was not sufficient to review or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

We recommended that BMV continue their efforts to design, implement and maintain a formal accounting system and that records be maintained to properly classify and account for collections and distributions of each license branch by transaction type. Corresponding financial reports could then be developed and available for audit as well as for use by management.

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All accounting forms, records and systems used are required to be prescribed or approved by the State Board of Accounts. This includes all statements and reports necessary for the internal administration of the office to which they pertain. It also includes electronic, automated or computerized systems. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

Each agency is responsible for maintaining an effective and accurate accounting system for subsidiary and supplementary records. At all times, the agency's manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank or Auditor's balance should agree. If the reconciled bank or Auditor's balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

Indiana Code 5-13-5-1(a) states: "Every public official who receives or distributes public funds shall: (1) keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds; and (2) balance the cash book daily to show funds on hand at the close of the day."

COMPUTER PROCESSING CONCERNS

Our review of branch operations, site visits, and inspection of the System Tracking and Record Support (STARS) transactions revealed the following:

The STARS system will allow two vehicles to have the same plate number. The Motor Carrier Services Division of the Indiana Department of Revenue (IDR) performs interstate registration transactions for some vehicles. A file is sent weekly to the Bureau of Motor Vehicles (BMV) from IDR and is loaded into STARS. There is no edit in STARS to determine if two vehicles have been registered with the same license plate number. Duplicate license plate numbers lead to identification problems whether the duplicate plate numbers actually exist or if an input error occurred.

A detailed report of the transactions conducted at the branch level (customer name, type of transaction, fees assessed, monies collected, etc.) on a daily basis has not been developed. The effect of not providing an accurate detailed listing of all transactions processed for a particular day is that errors could occur and not be detected. Examples of errors that could occur are: transactions could be posted for the incorrect amount; transactions could be omitted entirely from the detailed reports; transactions could be posted for visits that did not take place; etc. Without accurate detailed reports to support the transactions processed utilizing STARS, it cannot be determined that all transactions were properly processed.

At the completion of a STARS invoice, a check register detailing the checks processed is printed. The total of the check register should agree to the checks actually deposited for a particular day. STARS also generates a report titled "Deposit Slip" which shows the amount of cash and checks collected and the total amount deposited. The total of the Check Register should agree to the amount of checks on the Deposit Slip report. However, of the invoices tested, 28 % of the Check Register totals did not agree to the amount of checks per the Deposit Slip report or to the duplicate copy of the bank deposit ticket. Subsequent to the audit period, this issue has been resolved.

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The lack of an accurate detailed listing of checks deposited does not allow for verification that all checks deposited were for transactions processed on the corresponding day's invoice. An accurate detailed listing of checks is important to ensure the checks being deposited are for the current day's transactions and are not being substituted for cash that has been fraudulently removed from collections.

We recommended that processing controls be developed to prevent the entry of duplicate license plate numbers. We also recommended that the causes of the variances in reports be identified and that report modifications be made to enhance their usefulness.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be made available for audit to provide supporting information for the validity and accountability of monies received or disbursed. Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably obtainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State Agencies for State Agencies, Pages 1:6)

BRANCH LICENSE PLATE INVENTORY

A new perpetual license plate inventory module is being developed in the System Tracking and Record Support system (STARS). However, there was no mechanism in place to account for items for sale, otherwise referred to as accountable items, during the audit period. Procedures were not in place to detect inventory shortages or discrepancies in a timely manner.

Problems in the allotment system caused further confusion. In many cases, Missing Plate Affidavits were filed when a branch received an allotment of plates and one was missing. The missing plate was actually sold at another branch. This situation indicates internal control weaknesses in the tracking of license plates.

We recommended that the perpetual inventory system be utilized as planned and that provisions be made for accounting for inventory in the event that the computer system goes down.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

SPECIAL DISBURSING OFFICER FUNDS

Special Disbursing Officer (SDO) accounts are maintained by the Bureau of Motor Vehicles (BMV) and the Bureau of Motor Vehicles Commission (BMVC). Prior review findings concerning the SDO accounts have been reported in the past seven BMV reports and in the past four BMVC reports.

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The current BMV administration opened a new BMVC SDO account on January 8, 2007, and a new BMV SDO account on April 4, 2007. They contracted with an accounting firm to reconcile the old SDO accounts so that the old accounts could be closed out and the advanced money returned to the Treasurer of State. Though the new accounts are reconciled, timely action was not taken to get expenditures reimbursed in the new SDO funds. Such a delay indicates that the original amount of the SDO advance was too high. Chapter 7 of the Accounting and Uniform Compliance Guidelines Manual for State Agencies states in part: "Whenever a SDO fund is established, money is removed from a Treasurer of State bank account and thus is not being invested. Therefore, consideration should be given to the size of the SDO fund. If you are not using your total SDO advance within one or two months then your SDO advance is too large and should be reduced." Not only is the Bureau failing to use the total in the new account, they still had not returned the original SDO money as of the closing of the audit period. On December 9 and December 11, the monies were returned to the Treasurer of State.

During 2004 and 2005, 31 license branches were closed. Branch managers were instructed to make two deposits after their last day of business. One deposit was for that day's work and the other was their cash change. The advance of cash change was made from the SDO account and that is where the money should have been returned. The reconciliation prepared by the contractor shows that \$17,500 of cash change monies was not receipted back to the SDO fund.

In 2007, the special disbursing officer changed. Procedures were not followed to change SDO officers as set out in Chapter 7 of the Accounting and Uniform Compliance Guidelines Manual for State Agencies. It says in part: "The prior special disbursing officer should be required to complete reconciliations of both the checking account and the SDO advance at the expiration date of the authority. The new officer must review and accept both reconciliations." The old SDO accounts were not reconciled prior to the change. When the reconciliation of the old SDO is complete, the SDO officer may be held personally responsible for the amount needed to balance the fund or for amounts improperly expended.

We recommended that excess amounts held in the new SDO accounts be returned to the proper state funds. We further recommended that the BMV staff continue to properly maintain the new SDO account with timely reconciliations to the state advance as well as to the bank. We recommended that procedures be followed when changing SDO officers.

The Special Disbursing Officer is accountable at all times for all sums advanced. The SDO officer may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

Two reconciliations must be performed for the SDO fund each month. The bank statement for the SDO checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. At all times, the unreimbursed disbursements plus any advances to office cash or subsidiary checking accounts plus the SDO checking account balance must equal the local purchase advance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

CASH OVER/SHORT EXPLANATIONS AT LOCAL BRANCHES

Explanations for cash overages and shortages at local branches were sometimes not present or not clear in the System Tracking and Record Support computer system (STARS).

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If, at the time a Trial Balance (TB) is closed out, a Customer Service Representative's cash and checks in their cash drawer did not match the expected amount per STARS, research was required to try and explain the difference. A comment area is provided on the STARS screen for an explanation of the difference.

The lack of a clear explanation may indicate that shortages and overages are not being thoroughly researched or that time wasn't taken to provide a detail explanation. If they are not being researched, fraudulent activity could be occurring and going undetected.

We recommended that clear explanations be entered into each STARS Trial Balance that contains shortages and/or overages.

Bureau of Motor Vehicles Policy and Procedure states: "Cash over and short situations at the end of the day require an explanation by the Customer Service Representative (CSR). An explanatory comment must be entered for each TB that is over or short."

LICENSE BRANCH EXAMINATION RESULTS - VALIDATED DEPOSIT TICKETS

At the completion of a Support Tracking and Record Support System (STARS) invoice, branch personnel begin the process of preparing the day's collections for deposit in the bank. The member of management or their designee creating the deposit physically completes a bank deposit ticket, in duplicate, showing a total of currency, coin, and checks being deposited. The original deposit ticket is to go with the cash and checks being deposited, with the duplicate validated by the bank and returned to the branch for retention in the End of Day file. The cash and checks on the validated deposit ticket should agree to the STARS generated report titled "Deposit Slip."

Of the End of Day files tested at the individual branches, 7% did not have the validated deposit ticket included or available for audit. At some of these locations, branch personnel indicated they prepare the deposit ticket in duplicate and the entire deposit is picked up by an armored car service for delivery to the bank. Since branch personnel do not physically go to the bank, they were unable to retrieve the validated deposit ticket.

The validated deposit ticket is important to help ensure the cash and checks reported as collected by STARS are being deposited in the form in which they were received for the current day's transactions and are not being substituted for cash that has been fraudulently removed from collections.

The Bureau of Motor Vehicles' Policy and Procedures Guidelines for Trial Balance, End of Day, and Deposits states in section 5.6, End of Day File:

"For each invoice day, a file will be created that will contain the following items:

- Validated Deposit Ticket (stapled to the Deposit Slip) . . . "

Documents should be retained in accordance with a retention schedule approved by the Oversight Committee on Public Records. Generally, basic accounting records cannot be transferred to the Records Center until issuance of the applicable state audit report and satisfaction of any unsettled charges. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

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Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be made available for audit to provide supporting information for the validity and accountability of monies received or disbursed. Documents must be filed in such a manner as to be readily retrievable or otherwise reasonably obtainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

CAPITAL ASSET INVENTORY

The capital asset inventory listings were not complete as to additions and retirements. Assets have not been consistently tagged upon receipt. A physical inventory of assets owned was last conducted in the state fiscal year 2005. However, the process was incomplete as items not found during the inventory were not deleted. Items located during the inventory were marked with a check on the database. New items added after the physical inventory was performed were also marked with a check mark even though they were not technically present at the time of the inventory. No inventory was performed in fiscal year 2006 or 2007.

A similar comment has appeared in prior review reports.

The asset control database was incomplete. The acquisition date, acquisition cost, and fund number purchased from, were not included on the agency's asset control database. Bureau of Motor Vehicles (BMV) personnel responsible for entering fixed assets on the system generally did not have access to this information. Also, the asset location given in the database was generally not sufficient to physically locate the asset.

We recommended complete asset inventory records be maintained and that an annual physical inventory be conducted with necessary corrections made to the records to reflect the asset location and to follow up on missing equipment.

Each state agency is required to maintain an asset control system at the agency for assets costing \$500 or more. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

Once a year, after receiving a Fixed Asset Master Listing, a physical inventory is to be taken and compared to the Master Listing and the agency's listing of assets from its asset control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

TESTING PROCEDURES

The vehicle valuation information provided to the Bureau of Motor Vehicles (BMV) by an independent contractor was not tested for accuracy or completeness before or after it was loaded into the System Tracking and Record Support system (STARS). The contractor provided a computer file to the BMV on first a monthly basis and then a weekly basis during the audit period. Information Technology Department staff uploaded the information into the BMV's system without performing any type of checks.

Excise tax is based upon the value of the vehicle as well as some counties' surtax amounts. At branch visits and during inquiry of personnel, we learned that experienced Customer Service Representatives (CSR) sometimes easily spot vehicle valuation and excise tax information that is grossly incorrect. In these cases, the CSR can refer to a hardcopy "Blue Book" that contains printed excise tax

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information by vehicle type, age, class, etc., and can make the necessary adjustments in STARS during the customer's visit. Newer or less experienced CSR's might not visually catch such an error and rely upon the incorrect information in STARS. Reliance upon external data with no testing by BMV personnel could result in incorrect tax amounts being charged, collected and distributed to counties.

We recommended that a testing method be developed and implemented to help insure that excise tax and surtax will be properly charged and collected.

Indiana Code 6-6-5-3 states in part: "As the basis for measuring the tax imposed by this chapter, the bureau shall determine the value of each vehicle. . . ." Indiana Code 6-6-5-10 states in part: "The bureau shall establish procedures necessary for the collection of the tax imposed by this chapter and for the proper accounting for the same."

"The bureau shall verify the collections reported by the branches and provide the county auditor adequate and accurate audit information, registration form information, records, and materials to support the proper assessment, collection, and refund of excise taxes." IC 6-6-5-10.4

ACCESS TO THE SYSTEM TRACKING AND RECORD SUPPORT (STARS)

The design of the System Tracking and Record Support (STARS) computer system did not include a read-only or inquiry access which would provide management, auditors, and others the ability to view STARS computer screens and information without being able to make any modifications. To rectify the situation, some users were granted access to a test system where any modifications made would not affect the data in the production system. Our review revealed that the test system did not exactly mirror the production system.

Since access to the test system was not a viable alternative, access to the production system was still necessary for many users. Therefore they were provided with much more access than necessary to accomplish their respective tasks.

This unnecessary access could result in unauthorized modification of data. Effective security procedures restrict the computerized resources each authorized user may utilize.

We requested, but were not provided, a listing of all users, their roles and their access capability. Therefore we could not ascertain the appropriateness of access to STARS.

We recommended that an inquiry access be made available to the STARS users who only require viewing capabilities to perform their jobs. We further recommended an analysis be made of users' access to the STARS system and any necessary modifications be made so that access is limited to only the processes a user needs to perform their job functions.

COMMINGLED COLLECTIONS AND BANK ACCOUNT

As the System Tracking and Record Support (STARS) computer system was implemented at each branch, the use of separate state bank accounts was discontinued. For STARS, all branch collections are commingled into one central bank account, which is commonly referred to as the monster bank account. Central office reports classifying receipts or bank deposits by type are not available.

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The section of Indiana Code creating the requirement of a separate account for excise taxes was enacted in 1969. The Bureau of Motor Vehicles (BMV) has indicated that it will seek legislation in the 2008 legislative session that would remove this requirement.

We recommended a separate bank account be maintained for the excise tax collections if the BMV is not successful in obtaining an updated law. We further recommended that accounting records be maintained in the central office that classify revenues by type upon receipt and their subsequent distribution.

Indiana Code 6-6-5-9 (a)(1) states that, "The excise taxes so collected by each license branch, less any refunds made by the license branch, shall be deposited daily by the license branch in a separate account in a depository duly designated by the state board of finance . . . (3) Each license branch shall also report to the bureau all excise taxes collected and refunds made under this chapter in the same manner and at the same time as registration fees are reported."

CASH BOOK

During the first half of the audit period, no record of daily receipts, disbursements and a cumulative ending cash balance, otherwise referred to as a cash book was maintained for the records of the Abandoned Vehicles and Dealer Division (AVDD). In our prior report dated January 22, 2007, we recommended a method of recording daily receipts, disbursements, and cumulative cash balances be designed and implemented for the activity at AVDD. Bureau staff created a cash book from that time up until June 30, 2007.

As of July 1, 2007, responsibility for the AVDD no longer rests with the Bureau of Motor Vehicles, but with the Secretary of State.

Proper use of a cash book demonstrates controls over the receipt and deposit of public funds, particularly in conjunction with supervisory monitoring of transactions. The statutory noncompliance demonstrated by nonuse or improper use of cash books would allow conditions for fraud to occur and not be detected in the ordinary course of business.

Indiana Code 5-13-5-1(a) states: "Every public official who receives or distributes public funds shall: (1) Keep a cash book into which the public officer shall enter daily, by item, all receipts of public funds; and (2) Balance the cash book daily to show funds on hand at the close of the day."

CREDIT CARD PROCESSING FEES

The Bureau of Motor Vehicles Commission (BMVC) entered into contracts with a credit card vendor and paid credit card transaction processing fees. The BMVC did not collect these fees from the persons using credit cards, as required by statute and Indiana Administrative Code (IAC). A total of \$4,390,012 in processing fees was paid to the credit card vendor during the review period, resulting in a loss of available funds to the state.

During the audit period, the BMVC was required by statute and IAC to collect these fees from charge credit card users. Effective July 1, 2007, an amendment to Indiana Code 6-6-5-9 removed the requirement to pass along the fee for credit card usage. The amendment resolves this issue for the future.

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EXIT CONFERENCE

The contents of this report were discussed on December 11, 2007, with Ronald L. Stiver, Commissioner of the BMV; and Monty Combs, Deputy Commissioner of the BMV. The official response has been made a part of this report and may be found on page 14.



STATE OF INDIANA

Mitchell E. Daniels, Jr., Governor

Ronald L. Stiver, Commissioner
Bureau of Motor Vehicles
100 North Senate Avenue
Indianapolis, Indiana 46204
(317) 233-6000

February 11, 2008

Mr. Bruce Hartman
State Board of Accounts
200 W. Washington Street, Rm. 212
Indianapolis, IN 46204

Dear Mr. Hartman:

This letter serves as our response to the December 11, 2007, State Board of Accounts (SBOA) Audit Results and Comments for the Bureau of Motor Vehicles (BMV) covering the period beginning on July 1, 2006 and ending on June 30, 2007. On behalf of the BMV management team, I want to express my appreciation to the SBOA audit team for their professionalism and constructive observations and recommendations.

I am pleased that the report recognizes "significant progress has been made since the last review" in addressing long-standing issues identified in previous reports. Of the eleven corrective actions recommended in this most recent report, down substantially from the 33 recommendations in the previous report, three have already been fully addressed with progress occurring on the remaining. This progress results directly from the hard work of committed BMV employees. Please know that we are equally committed to addressing remaining issues commensurate with the highest reporting standards.

Again, we are grateful for the audit process and look forward to continued collaboration with the SBOA.

Sincerely,

Ronald L. Stiver
Commissioner