

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

REVIEW REPORT
OF

BUREAU OF MOTOR VEHICLES; BUREAU
OF MOTOR VEHICLES COMMISSION
STATE OF INDIANA

January 1, 2012 to December 31, 2013



FILED
11/26/2014

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	R. Scott Waddell	10-08-10 to 11-15-13
	Kent Schroder (Interim)	11-16-13 to 01-05-14
	Donald Snemis	01-06-14 to 01-09-17



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE BUREAU OF MOTOR VEHICLES;
BUREAU OF MOTOR VEHICLES COMMISSION

We have reviewed the activities related to the receipts, disbursements, and assets of the Bureau of Motor Vehicles; Bureau of Motor Vehicles Commission for the period of January 1, 2012 to December 31, 2013. The Bureau of Motor Vehicles; Bureau of Motor Vehicles Commission's management is responsible for the receipts, disbursements, and assets.

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 receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports. Federal programs are included in the scope of our statewide single audits as reflected in the Statewide Single Audit Reports.

Based on our review, nothing came to our attention that caused us to believe that the activities related to the receipts, disbursements, and assets of the Bureau of Motor Vehicles; Bureau of Motor Vehicles Commission are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable laws and regulations, except as stated in the review comment.

The Bureau of Motor Vehicles; Bureau of Motor Vehicles Commission's response to the Review Comment identified in our review is described in the accompanying section of the report entitled Official Response. We did not review the Bureau of Motor Vehicles; Bureau of Motor Vehicles Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Bureau of Motor Vehicles; Bureau of Motor Vehicles Commission's management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office reviewed.

STATE BOARD OF ACCOUNTS

October 27, 2014

BUREAU OF MOTOR VEHICLES;
BUREAU OF MOTOR VEHICLES COMMISSION
REVIEW COMMENT

INCORRECT FEES CHARGED AND DISTRIBUTED

The Bureau of Motor Vehicles and Bureau of Motor Vehicles Commission (BMV/C) are responsible for charging and collecting many different fees. The BMV/C is also responsible for distributing the collections to the correct state and county funds. The fees charged, collected, and distributed are defined by the State Legislature in several different statutes and Administrative Codes.

On March 7, 2013, a class action lawsuit was brought against the BMV/C claiming that the BMV/C had over charged for different types of driver's licenses over a period of years. As a result of this lawsuit the State Board of Accounts (SBOA) tested 10 other fees charged during 2012 to determine if the BMV/C was over or under charging any other fees. During our testing, we identified that the correct fee amount was difficult to determine based on the language in the laws; therefore, we were unable to determine the amount overcharged or undercharged for the fees tested.

However, the SBOA did determine that the distribution of excise tax collections to the Counties was under distributed due to the BMV/C withholding too much for expenses incurred from each excise tax transaction. As a result of our test, the SBOA and BMV/C worked together and refunded the Counties the amount under distributed by the BMV/C.

Additionally, as a result of our test, and the class action lawsuit the BMV/C evaluated all the fees the BMV/C was collecting and distributing. During 2013, the BMV/C adjusted down all fees they determined were being overcharged. They did not adjust up the fees they felt were undercharged.

The BMV/C has requested and received permission to hire a private consulting/audit firm to audit BMV/C practices and procedures to ensure they are legally compliant. The scope of the audit has not yet been finalized; however, this will not be considered a financial audit. A review of the BMV/C's software "System Tracking and Record Support" (STARS) will be a part of the scope of the engagement. The BMV/C recently identified that the STARS system was misapplying a certain adjustment to certain vehicles, which has resulted in an estimated \$29 million in refunds to be issued to motorists. An exact amount of the refunds and timing as to when the refunds will be issued had not yet been determined as of the date of this report.

New legislation was passed that takes effect January 1, 2015. House Enrolled Act 1237 replaces all previous applicable Indiana Codes and Indiana Administrative Codes, affecting BMV/C fees charged, collected, and distributed. This code rewrite makes it less complicated to determine what the proper fees charged and distributed by the BMV/C should be.

BUREAU OF MOTOR VEHICLES;
BUREAU OF MOTOR VEHICLES COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2014, with Donald Snemis, Commissioner, and Harold Day, Controller. The Official Response has been made a part of this report and may be found on pages 6 and 7.



STATE OF INDIANA

Michael R. Pence, Governor

Donald M. Snemis, Commissioner
Bureau of Motor Vehicles
100 North Senate Avenue
Indianapolis, Indiana 46204
888-692-6841

October 31, 2014

Mr. Paul Joyce
State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204

Dear Mr. Joyce:

This letter serves as our response to the State Board of Accounts (SBOA) Review Report for the Bureau of Motor Vehicles and the Bureau of Motor Vehicles Commission (collectively BMV/C) covering the period beginning January 1, 2013 and ending December 31, 2013. On behalf of the BMV/C management team and all BMV/C employees, I want to express my appreciation to the members of the SBOA audit team for their professionalism and constructive observations throughout the audit engagement.

The report confirms the ongoing efforts of the BMV/C to rectify historical issues related to fees and taxes, including the following:

- The BMV/C settled a class action lawsuit in 2013, and as part of that settlement, corrected and refunded overcharges identified by the lawsuit.
- Also in 2013, the BMV/C analyzed additional fees, not cited or discussed in the class action lawsuit, and found additional overcharges. The BMV/C voluntarily corrected those fees and refunded the overcharges.
- As reported in the Review Comment, Indiana statutes related to BMV/C fees were vague and subject to multiple interpretations. The BMV/C proposed, and the Indiana Legislature enacted, sweeping changes to these statutes to clarify their meaning and reduce the possibility of errors. This legislation takes effect on January 1, 2015.
- During its investigations, the BMV/C found a number of fees that were being undercharged. These undercharges will be corrected as of January 1, 2015.
- SBOA determined that the BMV/C had overcharged Indiana counties a fee related to the collection and distribution of excise taxes. Working in conjunction with SBOA, BMV/C refunded those overcharges.

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- The BMV/C recently announced that it had discovered errors in the manner in which vehicles were classified for excise tax purposes that resulted in overcharges to some Hoosiers. The BMV/C is in the process of voluntarily refunding those overcharges.
- The BMV/C has retained a consultant to examine and report upon the processes and procedures employed by the agency for calculating and charging taxes and fees.

The BMV/C remains committed to outstanding customer service and the efficient use of public funds. We will continue to take all necessary steps to ensure complete compliance with Indiana laws, including those related to fees and taxes charged to Hoosiers.

Please accept my personal gratitude for the diligent audit process and know that we look forward to continued collaboration with the SBOA.

Sincerely,



Donald M. Snemis
Commissioner