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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, 2007 to June 30, 2008

FILED
11/24/2008

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AGENCY OFFICIALS

Office	Official	Term
Commissioner of the Bureau of Motor Vehicles and Chairman of the Bureau of Motor Vehicles Commission	Ronald L. Stiver	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, 2007 to June 30, 2008. 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.

As a result of performing our review of the Bureau of Motor Vehicles, the Bureau of Motor Vehicles Commission, and Indiana license branches for the year ending June 30, 2008, we have prepared the following comments. We noted that 24 and 13 findings from the reports issued for the years ending June 30, 2006 and June 30, 2007, respectively, have been successfully resolved. Noteworthy among the issues that have been resolved is the installation of a comprehensive accounting system, the closing of old elapsed bank accounts and distribution of fund balances, and the implementation of sound internal controls that strengthen financial oversight. The current report reflects extraordinary improvement from the Bureau of Motor Vehicles in creating a controlled and secure business environment, demonstrated by a 92 % reduction in findings from our report for the period ending June 30, 2006 and an 85% reduction in findings from our report for the period ending June 30, 2007.

STATE BOARD OF ACCOUNTS

November 18, 2008

INTRODUCTION

This comprehensive review combines the findings relating to the Bureau of Motor Vehicles (BMV), the Bureau of Motor Vehicles Commission (BMVC), all Indiana license branches, and all contractual 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, nine 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.

During the fiscal year, the number of automobile dealerships who can perform certain title and registration transactions onsite increased to 186. These entities cannot access STARS but perform computerized transactions through a third party. The Bureau anticipates expanding into other dealerships and banks.

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.

BUREAU OF MOTOR VEHICLES, BUREAU OF MOTOR VEHICLE COMMISSION,
AND ALL INDIANA LICENSE BRANCHES
STATISTICAL INFORMATION
July 1, 2007 to June 30, 2008

Registration Transactions by Location

Month	Branch	Central Office	Internet	Mail-In	Other	SST/Kiosk	Strategic Partners	Total Vehicle Registrations
July	492,776	183	35,726	103,067	493	23,668	303	**656,216**
August	494,760	203	38,319	125,209	417	19,090	371	**678,369**
September	502,795	244	41,661	115,252	194	23,726	282	**684,154**
October	393,966	422	17,986	49,243	182	21,388	352	**483,539**
November	145,694	281	1,374	3,279	140	2,581	372	**153,721**
December	130,255	270	8,862	16,687	1,137	141	576	**157,928**
January	382,920	356	153,839	108,491	2,355	2,500	1,140	**651,601**
February	584,015	819	190,703	126,279	713	17,802	1,416	**921,747**
March	452,182	264	152,484	109,947	720	21,600	1,764	**738,961**
April	472,965	592	125,445	95,353	369	16,643	2,010	**713,377**
May	435,021	727	112,622	86,106	280	13,866	1,787	**650,409**
June	406,468	847	127,761	103,898	300	19,401	1,874	**660,549**

Accumulating Totals by Transaction Type

Month	Drivers Licenses	Vehicle Titles	Watercraft Registrations	Watercraft Titles
July	153,785	181,453	5,250	4,547
August	319,419	377,944	9,254	8,103
September	461,235	547,004	11,115	9,868
October	608,982	722,601	12,296	11,199
November	733,611	864,544	12,782	11,916
December	846,652	986,122	13,074	12,392
January	995,600	1,142,855	13,547	13,052
February	1,142,501	1,307,876	14,310	13,946
March	1,289,408	1,479,986	16,338	15,802
April	1,446,945	1,675,664	20,397	19,102
May	1,615,807	1,865,045	26,279	23,715
June	1,762,376	2,033,862	31,757	28,012

RECONCILIATION OF BANK BALANCE TO ACCOUNT BALANCES

State-wide collections from all branch transactions are funneled into one bank account commonly known as the " Monster" bank account. The Monster bank account balance represents monies collected at the branches, but not yet distributed. The Bureau of Motor Vehicles (BMV) was not able to reconcile the Monster bank balance to the various distribution accounts. The lack of a standardized reconciling process is a control weakness.

We recommended that the Bureau of Motor Vehicles develop a standardized system to reconcile the Monster bank account balance to the distribution accounts.

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."

DISTRIBUTIONS NOT MADE TIMELY

Collections for Reinstatement Fees, Financial Responsibility Fees and some County Taxes were not distributed in a timely fashion. A change to the computer program caused a processing error which resulted in the accumulation rather than the distribution of the fees and taxes. Collections of Reinstatement Fees and Financial Responsibility Fees from July 1, 2006 to June 30, 2007, totaling $10,028,875 were not distributed to the proper account until October of 2007. County Excise Taxes collected during the period July 2007 through December 2007 were not all distributed until August 2008 due to a programming error. Additionally, another programming error caused County Excise Tax collections for the period January 2008 through May 2008 to not be completely distributed until June 2008.

Standardized processes that support the unit's business processes should operate accurately, efficiently and completely. The system should accurately calculate, summarize, categorize and update accounting information. The system should allow for effective and efficient reconciliation of subsidiary ledgers to control ledgers, and detail transactions to summary totals. The system should automatically identify erroneous input, prevent concurrent file updates, and generate control totals to ensure completeness of processing. The system should also include standard controls such as tables which ensure only valid values can be posted, suspense files to identify transactions that fail system edits, effective error messages, appropriate restore points, and methods to prevent or detect out-of-balance conditions. (Accounting and Uniform Compliance Guidelines Manual for State Agencies for State Agencies, Pages 16:4)

We recommended that standardized controls be developed to assure that collections are properly recorded and then distributed in a timely manner.

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

The contents of this report were discussed on November 18, 2008, with Ronald L. Stiver, Commissioner of the Bureau of Motor Vehicles and Chairman of the Bureau of Motor Vehicles Commission; and Monty Combs, Deputy Commissioner of the Bureau of Motor Vehicles. The official response has been made a part of this report and may be found on page 8.

STATE OF INDIANA

Mitchell E. Daniels, Jr., Governor

Ronald L. Stiver, Commissioner
Bureau of Motor Vehicles
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November 19, 2008

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

Dear Mr. Hartman:

This letter serves as our response to the November 18, 2008, State Board of Accounts (SBOA) Review Report for the Bureau of Motor Vehicles (BMV) covering the period beginning on July 1, 2007 and ending on June 30, 2008. On behalf of the BMV management team and all BMV employees, 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 the "extraordinary improvement made by the BMV in creating a controlled and secure business environment," represented in part by a 92 percent reduction in findings from the report for the period ending June 30, 2006. As that 2006 report clearly pointed out, many of the 25 audit findings and 33 recommended corrective actions contained in it were also contained in multiple preceding reports, with some findings identified by SBOA as far back as 1986. Effectively and urgently addressing these findings was not easy, but rather was the direct result of the hard work and commitment of BMV employees across the state. It is worth noting that this progress occurred while also greatly improving customer service through nationally-recognized reforms.

The current 2008 report rightly identifies two findings to be addressed, both related to the timely reconciliation and distribution of "Monster" account funds. While the vast majority of these funds are reconciled and distributed in a timely manner, the report identifies instances in which portions were not due to system programming flaws. BMV management also identified these issues in early 2008 to be addressed. As such, I am pleased to report that much progress has already occurred, with full resolution expected by December 31, 2008.

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

Sincerely,

Ronald L. Stiver
Commissioner