



# OKLAHOMA USED MOTOR VEHICLE & PARTS COMMISSION

Operational Audit

January 1, 2017 through June 30, 2021

**Cindy Byrd, CPA**  
State Auditor & Inspector

**Audit Report of the  
Oklahoma Used Motor Vehicle & Parts Commission**

**For the Period  
January 1, 2017 through June 30, 2021**

February 3, 2022

**TO THE OKLAHOMA USED MOTOR VEHICLE AND PARTS COMMISSION**

We present the audit report of the Oklahoma Used Motor Vehicle and Parts Commission for the period January 1, 2017 through June 30, 2021. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**Used Motor Vehicle & Parts Commission  
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**Background**

The Oklahoma Used Motor Vehicle and Parts Commission (Agency) was established to license and regulate used motor vehicle dealers, wholesale motor vehicle dealers, automotive dismantlers, rebuilders, manufactured home dealers, manufacturers, and installers; to create an atmosphere of fair competition among equally regulated dealers; and to protect the interests of the consuming public.

Ten commission members (Commission) appointed by the governor oversee the agency.

Board members as of January 2022 are:

John Longacre.....	Chairman
Terry Shreve.....	Commissioner
Jim Davis .....	Commissioner
John Holt .....	Commissioner
Daniel Derr.....	Commissioner
Kerry Siegfried .....	Commissioner
Billy Roberts.....	Commissioner
Jennifer Rooks-Jones.....	Commissioner
Steve Ross.....	Commissioner
Brett Howerton.....	Commissioner

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2020 and 2021 (July 1, 2019 through June 30, 2021).

**Sources and Uses of Funds for FY 2020 and FY 2021**

	2020	2021
<b>Sources:</b>		
Licenses, Permits, Fees	\$ 1,389,938	\$ 746,814
Fines, Forfeits, Penalties	100,855	78,885
Other Revenues	6,214	1,514
<b>Total Sources</b>	<b>\$ 1,497,007</b>	<b>\$ 827,213</b>
<b>Uses:</b>		
Personnel Services	\$ 713,325	\$ 856,938
Professional Services	66,971	68,944
Administrative Expenses	65,196	103,028
Travel	50,017	53,878
Property, Furniture, Equipment	10,609	474
<b>Total Uses</b>	<b>\$ 906,118</b>	<b>\$ 1,083,262</b>

*Source: Oklahoma Statewide Accounting System (unaudited, for informational purposes only)*

Note that sources appear higher in 2020 because the Agency uses a two-year licensing period, causing revenues to fluctuate every other year as renewals are received.

**Scope and  
Methodology**

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector’s office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period of January 1, 2017 through June 30, 2021. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to the Agency’s personnel, and performed data analysis. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the Statewide Accounting System and gathering information from Agency personnel to assess the related financial processes and trends for any notable risks.
- Analyzing top vendors and expenditures by dollar amount, reviewing a selection of miscellaneous expenditures claims and supporting documentation, and reviewing evidence of a detailed expenditure review.
- Reviewing the Agency’s HR All Actions Report from the Statewide Accounting System to assess personnel changes that had a financial impact during the audit period.
- Reviewing payroll documentation supporting a selection of payroll changes that occurred during the audit period and reviewing compensatory time policies and procedures.
- Reviewing statutes and administrative codes pertaining to the Agency.

One objective was developed as a result of the procedures performed, as discussed in the body of the report. No other significant risks or findings were identified.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

### Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*<sup>1</sup> outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

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<sup>1</sup> *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

**OBJECTIVE** Determine whether the Agency performs an effective reconciliation of licensing activity to deposits, in line with *GAO Standards for Internal Control*.

**Conclusion** We determined that the Agency does not currently perform an effective reconciliation of licensing activity to deposits, in line with *GAO Standards for Internal Control*.

**Objective Methodology** To accomplish our objective, we performed the following:

- Documented our understanding of the revenue processes through discussion with management and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.

**FINDINGS AND RECOMMENDATIONS**

**Reconciliation of Licensing to Deposit Activity Needed** The Agency receives 99% of their revenues in check form. During our previous engagement with the Agency, it was noted that key duties related to revenues were performed by one party, heightening the risk of theft or error, and necessitating a reliable reconciliation of licensing activity to bank deposits to ensure all receipts were properly deposited in the Agency’s bank account. According to management, such a reconciliation was not possible because their licensing database could not produce adequate reports. The reconciliation was not performed during our current audit period for the same reason.

However, the Agency is currently in the process of implementing the Thentia licensing system, which they believe is being designed to produce reports that will support a formal reconciliation of licensing activity to deposits made to the bank.

The *GAO Standards for Internal Control* state that “Management should design control activities to achieve objectives and respond to risks and implement control activities through policies.” In addition, “Management should remediate identified internal control deficiencies on a timely basis.”

The new system will allow the Agency to receipt funds electronically and likely alter the revenue process significantly. We therefore did not assess the arrangement of duties in this process but focused our recommendations on the reconciliation process going forward.

**Recommendation**

We recommend that an individual separate from the receipting and deposit processes reconcile licensing reports from the new Thentia



database to deposits made to the bank. (If receipting becomes electronic, a similar reconciliation should still be performed to ensure the appropriate payments were received and accurately recorded.) Management, with IT expert assistance as needed, should determine the best time and manner in which to perform this reconciliation to account for any timing issues related to new licensees. For example, perhaps this could be done by performing the reconciliation for a larger block of time, to allow staff to gather the information needed to issue the license. Documentation of the reconciliation should be retained.

#### **Views of Responsible Officials**

When implementing the new licensing system with Thentia, our objective is to design the licensing system with the capability that will allow us to reconcile licensing activity with deposits bringing us into compliance with *GAO Standards for Internal Control*. As we develop new reconciling procedures for electronic receipting, we will implement procedures to segregate duties between staff so that the individual performing the reconciliation will not be involved in the deposit or receipting process and perform a monthly reconciliation between licensing activity and deposits.

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S·A·I  
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