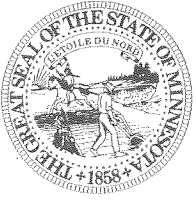


**DEPARTMENT OF PUBLIC SAFETY
MANAGEMENT LETTER
FISCAL YEAR 1986**

FEBRUARY 1987

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Mr. Paul Tschida, Commissioner
Department of Public Safety
211 Transportation Building
St. Paul, Minnesota 55155

Dear Commissioner Tschida:

We have reviewed certain accounting procedures and controls for your department as part of our statewide audit of the State of Minnesota's fiscal year 1986 financial statements and federal programs. The scope of our work has been limited to:

- those aspects of your department which have a material impact on any of the state's various funds and account groups shown on the financial statements; and
- the status of prior audit recommendations.

We emphasize that this has not been a complete financial and compliance audit of all programs within your department. Even though no auditing of federal programs was done in your department during our fiscal year 1986 audit, the statewide audit coverage still satisfies the federal government's financial and compliance audit requirements for all federal programs administered by your department in fiscal year 1986.

This management letter contains both our recommendations developed during this audit and reiteration of our prior recommendations which have not been implemented. Prior audit recommendations repeated in this text are denoted under the caption "PRIOR RECOMMENDATION NOT IMPLEMENTED" or "PRIOR RECOMMENDATION PARTIALLY IMPLEMENTED." Attached to your management letter is a summary of the progress made on all audit recommendations developed during our fiscal year 1985 audit.

The current recommendations included in this letter are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our audit next year.

The mail issue section does not reconcile the license plates and stickers issued to amount sold.

Owners required to renew vehicle registrations or change title information may send the appropriate documents with payment directly to DPS or use a deputy registrar. The mail issue section of DPS is responsible for processing these mail transactions.

Currently, the registration process involves several clerks, each of whom assumes responsibility for certain plates or stickers. The clerks are issued batches of stickers from a secured inventory. Issuances are recorded in a control log detailing sticker numbers and clerk name. A computer system is used to record all registrations received with amounts due automatically calculated. The sticker number issued is also recorded on the system. After entering each batch of 100 stickers or applications, the clerk balances the payments received with the amount due per the system. The unit supervisor reconciles the total daily receipts with the system total for all issuances of that day. However, there is not a procedure in place which balances the stickers issued to a particular clerk with those actually entered into the system and subsequently mailed out.

The division audit section of DPS accounts for the stickers issued by all deputy registrars. The registrars report the sticker numbers issued which are then recorded on a computer system by division audit. The system produces a report by sticker numbers. Division audit is then responsible for investigating any gaps in the listing.

The mail issue section's use of the sign-out log and an automated system along with the reconciliations performed provides an adequate audit trail. However, the department should further assure itself that all stickers withdrawn from inventory are properly accounted for. This assurance could be achieved by including the mail issue section activity in the division audit's review process. All stickers assigned to a clerk should be accounted for as being issued, recorded as being defective or on hand.

RECOMMENDATION:

1. *The number of stickers assigned to mail issue clerks should be reconciled to actual issuances.*

PRIOR RECOMMENDATION NOT IMPLEMENTED: The partial payment section accounting and collection procedures are inadequate.

Minn. Stat. Section 168.31, Subd. 4, states that whenever the annual tax on a vehicle exceeds \$400, the owner may elect to pay the tax in three installments. The owner must register the vehicle for the calendar year with the partial payment section and pay the installments by March 1, July 1, and November 1. About 1,000 vehicles registered under this partial payment option in registration year 1986.

The present accounting and billing system is a manual system. No control account is maintained and no reconciliation to the detail accounts of those owing taxes to the state is performed. We recommended that a control account be established for accounts receivable and that the balance be periodically reconciled to a subsidiary ledger trial balance. It was further suggested that the DPS consider the development of a computer operation for the partial payment area to help account for receivable amounts in a proper manner.

The department has formulated plans to convert the present manual systems for both the accounts receivable and cash receipts to computer operations. These plans are under evaluation, with the cash receipt system receiving first priority. The department contends that the maintenance of a control account would not be cost effective if it were done on a manual basis.

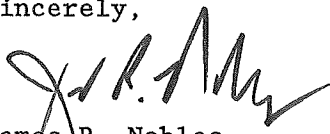
It is our belief that subsidiary records, whether manual or computer, should be reconciled to a control account regularly to verify the clerical accuracy of these records. Automation of this system will facilitate this process to a large degree.

RECOMMENDATION:


2. *The DPS should establish a control account in the partial payment section for accounts receivable. A periodic reconciliation should be completed to a subsidiary ledger trial balance. DPS should continue to pursue the implementation of a computer system for the partial payment area if this is felt necessary to facilitate the process.*

Thank you for the cooperation extended our staff during this audit.

Sincerely,


James R. Nobles
Legislative Auditor

Attachment


John Asmussen, CPA
Deputy Legislative Auditor

February 18, 1987

DEPARTMENT OF PUBLIC SAFETY

STATUS OF PRIOR AUDIT RECOMMENDATIONS
AND
PROGRESS TOWARD IMPLEMENTATION

Restrictions on access to prorate section computer files have not been properly established.

1. The DPS prorate section should establish procedures for the periodic reconciliation of prorate section receipt totals to the statewide accounting system.

RECOMMENDATION WITHDRAWN. The present billing and receipts system does not permit a reconciliation between them to be efficiently completed. An established alternative control over the entry of "paid" status to accounts is the comparison of a listing of paid accounts to source documentation. While this procedure is currently done daily by the person entering the receipts, it would be more ideally completed by her supervisor. This shift of responsibility is being scheduled by the prorate section.

The partial payment section accounting and collection procedures are inadequate.

2. The DPS should establish a control account in the partial payment section for accounts receivable. A periodic reconciliation should be completed to a subsidiary ledger trial balance. DPS should continue to pursue the implementation of a computer system for the partial payment area if this is felt necessary to facilitate the process.

RECOMMENDATION NOT IMPLEMENTED. See current recommendation #2.

Audit results compiled by prorate section auditors are not properly maintained and reviewed.

3. All information pertaining to the audit of prorate carriers should be included in the manual log of assessed accounts. This should include the date of audit, the time frame specified for payment, and the status of each account as of the due date.

RECOMMENDATION IMPLEMENTED. Beginning in April 1986, all pertinent information has been maintained in a manual log.

4. A periodic review of all assessed accounts should be performed by prorate section personnel. Appropriate action should be taken in cases of past due accounts.

RECOMMENDATION IMPLEMENTED. Prorate section staff review the rebill log weekly to check the status of assessed accounts.

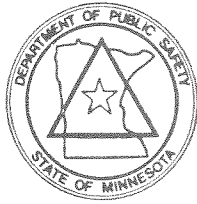
DEPARTMENT OF PUBLIC SAFETY INTERNAL AUDIT REPORT

Status of Prior Audit Recommendation
And
Progress Toward Implementation

Questioned costs of \$2,312.17 charged to CFDA #83.508 (Radiological Systems Maintenance) were not approved as required by the grant award or cost principles.

1. Adjust the final claim for the questioned cost.

RECOMMENDATION IMPLEMENTED. On September 20, 1985, the Division of Emergency Services of DPS was notified by FEMA's Counsel General that, "... . FEMA has no obligation or liability to pay the Minnesota State Worker's Compensation claim" At that time they discontinued the billing of those costs to Radiological Systems Maintenance and reimbursed that AID for the \$2,312.17 previously billed.



STATE OF MINNESOTA
DEPARTMENT OF PUBLIC SAFETY
SAINT PAUL 55155

February 18, 1987

James R. Nobles
Legislative Auditor
Veterans Service Building
St. Paul, MN 55155

Dear Mr. Nobles,

The letter from Margaret Jenniges dated January 27, 1987, requested a response to the Recommendations pertaining to the Department of Public Safety. Our response to these Recommendations resulting from your financial and compliance audit is listed below.

Marlene Swanson, Director of the Driver and Vehicle Services Division, will be responsible for implementation of the recommendations.

Comments on the recommendations are in the order presented in your draft report and include progress toward implementation, as well as the department's position on the practicality or feasibility of complying with certain Recommendations.

FINDING: THE MAIL ISSUE SECTION DOES NOT RECONCILE THE LICENSE PLATES AND STICKERS ISSUED TO AMOUNT SOLD.

Owners required to renew vehicle registrations or change title information may send the appropriate documents with payment directly to DPS or use a deputy registrar. The mail issue section of DPS is responsible for processing these mail transactions.

Currently, the registration process involves several clerks, each of whom assumes responsibility for certain plates or stickers. The clerks are issued batches of stickers from a secured inventory. Issuances are recorded in a control log detailing sticker numbers and clerk name. A computer system is used to record all registrations received with amounts due automatically calculated. The sticker number issued is also recorded on the system. After entering each batch of 100 stickers or applications, the clerk balances the payments received with the amount due per the system. The unit supervisor reconciles the total daily receipts with the system total for all issuances of that day. However, there is not a procedure in place which balances the stickers issued to a particular clerk with those actually entered into the system and subsequently mailed out.

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RECOMMENDATION:

1. The number of stickers assigned to mail issue clerks should be reconciled to actual issuances.

RESPONSE:

During the implementation of the TRIP program, some confusion arose as to who was responsible for the reconciliation of plates and stickers issued by the Mail Unit. We have resolved this and the Division Audit Section will immediately begin preparations for performing this task. Any missing items can then be traced to the individual clerks to whom they were issued.

FINDING: PRIOR RECOMMENDATION NOT IMPLEMENTED: THE PARTIAL PAYMENT SECTION ACCOUNTING AND COLLECTION PROCEDURES ARE INADEQUATE.

Minn. Stat. Section 168.31, Subd. 4, states that whenever the annual tax on a vehicle exceeds \$400, the owner may elect to pay the tax in three installments. The owner must register the vehicle for the calendar year with the partial payment section and pay the installments by March 1, July 1, and November 1. About 1,000 vehicles registered under this partial payment option in registration year 1986.

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It is our belief that subsidiary records, whether manual or computer, should be reconciled to a control account regularly to verify the clerical accuracy of these records. Automation of this system will facilitate this process to a large degree.

RECOMMENDATION:

2. The DPS should establish a control account in the partial payment section for accounts receivable. A periodic reconciliation should be completed to a subsidiary ledger trial balance. DPS should continue to pursue the implementation of a computer system for the partial payment area if this is felt necessary to facilitate the process.

RESPONSE:

We feel the small number of accounts in the Partial Payment Section does not warrant the establishment of a manual control account. The fact that delinquent amounts were almost nil would also support this. We will, however, continue to seek computerization of the system; as soon as time and space permits.

I trust that this response answers the recommendations in your letter. Should you have any further questions please feel free to call me.

Sincerely,



Paul J. Tschida
Commissioner

AFRMKNA29E