

**DEPARTMENT OF PUBLIC SAFETY  
FINANCIAL AUDIT  
FOR THE THREE YEARS ENDED JUNE 30, 1989**

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**MARCH 1990**

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**Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota**



# DEPARTMENT OF PUBLIC SAFETY

## FINANCIAL AUDIT July 1, 1986 - June 30, 1989

Public Release Date: March 16, 1990

No. 90-11

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### OBJECTIVES:

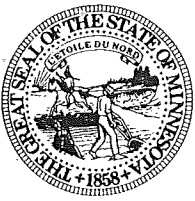
- EVALUATE INTERNAL CONTROL STRUCTURE: Motor vehicle registrations, drivers license fees, highway patrol fines, administrative disbursements, payroll, refunds, crime victims reparations, intrastate pipeline inspections fees, and Children's Trust Fund.
  - TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.
- 

### CONCLUSIONS:

- The motor vehicle computer system allows improper transactions to be processed without detection.
- The state's share of patrol fines are not adequately verified.
- The statutory authority for depositing certain fees is not clearly defined.
- Motor vehicle receipts collected through the mail are not promptly deposited.
- Drivers license record fees and overweight fines are not charged consistently.
- The Children's Trust Fund Advisory Council does not formally approve applications for grant awards.

Contact the Financial Audit Division for additional information.  
(612) 296-1730





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Senator John E. Brandl, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

Paul Tschida, Commissioner  
Department of Public Safety

Audit Scope

We have conducted a financial related audit of the Department of Public Safety as of and for the three years ended June 30, 1989. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Department of Public Safety, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Department of Public Safety in effect at June 30, 1989.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transaction of the Department of Public Safety are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Department of Public Safety's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

For those aspects of the department which have a material impact on the state's various funds and account groups shown on the financial statements, we tested compliance with finance-related legal provisions as part of our fiscal year 1987 and 1988 Statewide Audits.

Management Responsibilities

The management of the Department of Public Safety is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

#### Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- motor vehicle registrations and fees collected by cashiers, the mail issue section, deputy registrars, and the prorated section;
- driver's license fees collected by cashiers, clerk of courts, and exam stations;
- fines issued by highway patrol officers;
- administrative disbursements;
- payroll;
- refunds of taxes and fees;
- crime victims reparations;
- intrastate pipeline inspection fees; and
- distributions from the Children's Trust Fund.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

#### Conclusions

Our study and evaluation disclosed the conditions discussed in Section II, findings 1 and 2 involving the internal control structure of the Department of Public Safety. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in financial statements.

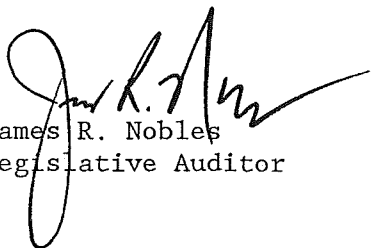
Senator John E. Brandl, Chair  
Members of the Legislative Audit Commission  
Paul Tschida, Commissioner  
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A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe finding 1 is a material weakness.

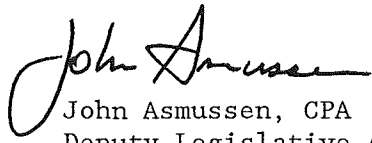
We also noted other matters involving the internal control structure and its operation that we reported to the management of the Department of Public Safety in a meeting held on February 21, 1990.

The results of our tests indicate that, except for findings 2 through 6, the Department of Public Safety complied, in all material respects, with the provisions referred to in the scope paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Department of Public Safety had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Department of Public Safety. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 16, 1990.



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

END OF FIELDWORK: December 21, 1989  
REPORT SIGNED ON: March 7, 1990





## DEPARTMENT OF PUBLIC SAFETY

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### AUDIT PARTICIPATION

The following staff from the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Margaret Jenniges, CPA	Audit Manager
Ellen Merlin, CPA	Auditor-in-Charge
Lois Davis, CPA	Senior Auditor
Karen Klein	Intern
Peter Olesen	Intern

### EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff on February 21, 1990:

Rita McManus	Deputy Commissioner
Marlene Swanson	Driver and Vehicle Services Director
Alice Gonzalo	Driver and Vehicle Services Deputy Director
Carl Peaslee	Data Input Supervisor
Frank Ahrens	Fiscal and Administrative Services Director
Dan Boytim	Fiscal and Administrative Services Assistant Director
Steve Johnson	Accounting Officer
Chuck Hansen	Accounting Officer
Nancy Hood	Account Clerk Senior
Roz Kowalzyk	Internal Audit Supervisor
Maureen Cannon	Children's Trust Fund Executive Director



## DEPARTMENT OF PUBLIC SAFETY

### I. INTRODUCTION

The Department of Public Safety provides education and public assistance services to Minnesota's citizens. Under Commissioner Paul Tschida, the department administers and enforces laws relating to drivers, vehicles, traffic, liquor, natural and man-made disasters, criminal activities, and fire risks. Its principal responsibility is to maintain a safe environment for citizens of Minnesota.

As part of its responsibilities, Public Safety must comply with finance-related legal provisions. Minn. Stat. Chapter 297B authorizes Public Safety to collect excise tax on motor vehicles. Under Minn. Stat. Chapter 168, the department requires certification and registration of title for motor vehicles in the state, and recognizes reciprocal agreements for registration of motor carriers in other jurisdictions. Minn. Stat. Chapter 296 authorizes Public Safety to collect fuel taxes from motor carriers. Minn. Stat. Chapter 171 creates the Driver's License Division which regulates operating licenses. Minn. Stat. Chapter 299D authorizes the State Patrol to fine motorists for violations of traffic and motor vehicle laws. Under the appointment of the commissioner, as established in Minn. Stat. Chapter 611A, the Crime Victims Reparation Board administers reparations to victims of crime. Minn. Stat. Chapter 299F authorizes the department's Office of Pipeline Safety to assess and collect intra-state pipeline inspection fees. Minn. Stat. Chapter 299A establishes the Children's Trust Fund under the administration of Public Safety, funding public or private nonprofit agencies with programs in child abuse prevention. The Department of Public Safety is also subject to certain general legal provisions which affect the financial management of most state agencies.

Public Safety collects a significant amount of the state's receipts. During fiscal year 1989, Public Safety collected total receipts of more than \$600 million including:

Motor Vehicle Licenses	\$288,047,487
Motor Vehicle Sales Taxes	249,918,733
Service Charges	20,074,626
Nonoccupational Permits & Licenses	14,675,539
Statutory Fines	6,228,103

Less than three percent of Public Safety's revenues are dedicated. Dedicated receipts also include federal funds of approximately \$11 million. Additionally, the department received fiscal year 1989 direct appropriations totalling approximately \$83 million from the Trunk Highway Fund, the General Fund, and the Highway User Tax Distribution Fund. Under legislative approval, Public Safety also carries forward certain funds from prior years. Public Safety's total expenditures for fiscal year 1989 were \$119,446,057.

## DEPARTMENT OF PUBLIC SAFETY

### II. CURRENT FINDINGS AND RECOMMENDATIONS

1. A flaw within the motor vehicle system allows improper transactions to be processed without detection.

Public Safety does not adequately control potential abuse of "nonmonetary" transactions processed through the motor vehicle system. This control weakness would allow errors or irregularities to be concealed by falsely entering legitimate cash transactions as "nonmonetary". There is no trail of "nonmonetary" transactions in the system and no supporting documentation.

Public Safety's employees refer to "nonmonetary" transactions as those entered on the system without entry of a receipt at the same time. Primarily, "nonmonetary" transactions represent original entry of motor vehicle transactions submitted to the central office by deputy registrars. The deputies submit daily reports of collections to the central office. Upon review of the reports, central processing groups enter these transactions on the system.

Department employees also may enter "nonmonetary" transactions to record corrections on the motor vehicle registration system. However, when department employees collect motor vehicle receipts directly, they should not record the transaction as "nonmonetary." Rather, they are supposed to enter a regular batch transaction onto the motor vehicle registration system. The batched transactions are then compared to cash receipts to ensure that all collections are deposited.

The system does not prevent department employees from the unauthorized use of "nonmonetary" transactions. Furthermore, the motor vehicle registration system does not generate sufficient information to detect improper "nonmonetary" transactions. Over 150 DPS input clerks have unrestricted access for entering "nonmonetary" transactions. The transactions cannot be traced to the entry source nor to an original cash collection transaction. Therefore, we could not determine the extent to which employees may be misusing "nonmonetary" transactions.

This system flaw would allow employees to enter unauthorized information on the motor vehicle registration system. It would also permit a theft of cash receipts to occur without detection. We believe the department must take prompt action to correct such a serious weakness in the system.

#### RECOMMENDATIONS

- The department must develop a method of tracing "nonmonetary" transactions in the system to ensure that all receipts have been collected.
- The department should limit access to the system for entry of "nonmonetary" transactions.

DEPARTMENT OF PUBLIC SAFETY

2. PRIOR FINDING NOT RESOLVED. Public Safety does not adequately verify the state's share of patrol fines.

The Department of Public Safety is not verifying the accuracy of the state's portion of highway patrol fines submitted by the counties. Because of inadequate documentation provided by the counties, a detailed reconciliation cannot be performed. However, the department has not fulfilled its responsibility to monitor the receipts for reasonableness.

We attempted to assess the reasonableness of patrol fines submitted by 23 counties by comparing fiscal year 1988 and 1989 receipts. As part of this comparison, we reviewed the number of tickets issued during the two years in an attempt to explain the differences in receipts. Three counties showed significant fluctuations in the collections of receipts from one year to the next that were not supported by changes in tickets issued. One county reported a 15 percent decrease in receipts transmitted to the state though there was an 18 percent increase in tickets issued. Another county reported a 22 percent decrease in receipts with only a 3 percent decrease in tickets issued. The third reported a 66 percent increase in receipts with only a 5 percent increase in tickets issued. Because of the unexplained receipt fluctuations and the inadequacy of reports submitted by the counties, we were unable to determine that all funds were properly submitted to the Department of Public Safety.

Under Minn. Stat. Section 299D.03 subd. 5(a), the state receives five-eighths of all highway patrol fines unless the violation occurred within a municipality. If within a municipality, the state receives one-third of the fine. The counties submit a summary report which contains a breakdown of the type and amount of fines received but does not provide the corresponding ticket numbers. Therefore, the department can only verify the mechanical accuracy of the summary sheets. Staff cannot determine if all tickets were processed and the corresponding receipts transmitted to the department.

Public Safety is currently working with the Supreme Court to determine the feasibility of modifying the county reports to include ticket numbers. If modification of the reporting system is not feasible, the department must establish an alternate method of verifying receipts. At a minimum, the department must verify that the receipts remitted are reasonable.

RECOMMENDATION

- The department should verify the state's share of highway patrol fines.

3. Public Safety's statutory authority for depositing certain fees is not clearly defined.

We question whether Public Safety has deposited drivers license record fees in accordance with statutory requirements. The department deposits

## DEPARTMENT OF PUBLIC SAFETY

90 percent of drivers license record fees in the Trunk Highway Fund and 10 percent in the General Fund. The statute governing drivers license record fees, Minn. Stat. Section 170.23, does not specify where the receipts are to be deposited. Under Minn. Stat. Section 16A.72, all receipts which have no other statutory provision should be deposited into the General Fund. However, during fiscal year 1989, Public Safety deposited more than \$3.9 million in record fees into the Trunk Highway Fund. The department has presumed that record fees may be deposited in the same manner as fees collected for all other drivers license transactions as provided in Minn. Stat. Chapter 171.

Also, during fiscal year 1989, Public Safety deposited more than \$1.9 million in motor vehicle service fees into the Highway User Tax Distribution Fund though not specifically authorized under Minn. Statutes. The department deposited service fees into this fund based on the depositing requirements of other related fees and taxes in Minn. Stat. Chapters 168 and 168A. If the service fee was associated with more than one type of motor vehicle transaction, the department split the service fee, depositing equally between the General Fund, and Highway User Fund. These statutes do not give specific authorization for the deposit of service fees into the Highway User Fund, nor the department's decision to split the deposit between funds.

### RECOMMENDATION

- Public Safety should deposit all receipts in compliance with legal provisions. It should seek new legislation or advice from the Attorney General's Office to clarify requirements for the deposit of receipts not specifically identified in statute.

#### 4. Public Safety does not promptly deposit all motor vehicle receipts collected through the mail.

The mail issue section of the Department of Public Safety does not deposit its receipts until the respective motor vehicle transactions are entered onto the motor vehicle system. Once the motor vehicle transactions are in process, the department deposits these receipts directly into the state depository.

Minn. Stat. Section 16A.275 requires that agencies "shall deposit receipts totaling \$250 or more in the state treasury daily." However, June 30, 1989 receipts totaling almost \$1 million were held more than three business days. Further, more than \$250,000 was held over one week before deposit. Daily deposit of receipts exceeding \$250 provides safeguards, and maximizes the interest earning potential of receipts collected. The department should determine if prompt depositing is possible under the current process. If prompt depositing is not feasible, the department should seek a waiver from the Department of Finance, to avoid depositing requirements.

## DEPARTMENT OF PUBLIC SAFETY

### RECOMMENDATION

- Receipts in excess of \$250 should be deposited daily, in accordance with Minn. Stat. Section 16A.275. Alternately, the department may seek a waiver from the Department of Finance.

5. Public Safety did not consistently charge drivers license record fees and overweight fines as established in statute.

Public Safety has reduced drivers license record fees for two departments at the University of Minnesota, the Internal Revenue Service, various state universities, and one school district. The department has not charged three Minnesota counties or the Metropolitan Transit Commission. The drivers license record fees were established under Minn. Stat. Section 170.23, determining charges for computer inquiries, abstracts, copies of records, and certified copies of drivers license records. There is no statutory authority that allows Public Safety to reduce drivers license record fees for these entities.

Public Safety cites Minn. Stat. Section 13.05 subd. 9 which allows a nominal fee for intergovernmental access of data classified as not public. However, drivers license records are public data, therefore, this statute does not apply. When the drivers license record fees are reduced, the state does not receive all revenues to which it is entitled. Furthermore, Public Safety is not in compliance with Minn. Stat. Section 170.23.

Public Safety is not assessing T-Class (farm vehicles) additional overweight penalties. The Highway Patrol issues tickets for overweight fines. If a vehicle is found to exceed its registered weight by over 25 percent, the courts assess an additional fine. According to Minn. Stat. Section 168.013 subd. 3, Public Safety is required to cancel the certificate of registration upon notice of conviction from the county court. The individual then must reregister the vehicle at the next higher weight for the full year. Currently, Public Safety does not cancel T-Class registration certificates, nor charge additional registration fees. Minn. Stat. Section 168.013 subd. 3 does not exempt T-Class vehicles from these penalties.

### RECOMMENDATIONS

- The Department of Public Safety should charge all entities the established fees for drivers license records.
- The department should cancel registration certificates and assess reregistration fees for T-Class vehicles convicted of overweight violations.

DEPARTMENT OF PUBLIC SAFETY

6. The Children's Trust Fund Advisory Council does not formally approve applications for grant awards.

The Children's Trust Fund Advisory Council was established in 1986, in part to provide the commissioner of Public Safety with grant award recommendations to fund programs in child abuse prevention. During its first two years, the trust fund awarded more than \$500,000 to 42 programs and 6 administrative bodies in Minnesota.

While council members review award applications, there is no formal approval of awards which have been recommended to the commissioner. The executive director forwards a list of the recommendations to Public Safety. This list does not include an authorized signature by an advisory council member. Further, there are no council signatures evident on approved or denied award applications. Upon recommendation, the commissioner enters into contracts directly with award recipients.

Additionally, the council has not kept documentation on those applications in which funding was denied. Without proper documentation, the council may not have adequate support for decisions made, and may be exposed to unnecessary liability.

Under Minn. Stat. Section 299A.23 the commissioner must have the advice and consent of the advisory council to distribute funds for child abuse prevention. A formalized approval process provides support of advisory council decisions. Additionally, proper authorization and retention of documentation provides assurance that all program awards are appropriate.

RECOMMENDATIONS

- A formal process should be established for approving award applications from the Children's Trust Fund.
- The council must establish a record retention schedule to maintain adequate documentation on all applications and decisions for funding.





March 5, 1990

STATE OF MINNESOTA

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

DEPARTMENT OF PUBLIC SAFETY  
SAINT PAUL 55155

Dear Mr. Nobles:

At the February 21, 1990 exit conference, Margaret Jenniges requested a response to the recommendations made in the draft copy of the financial and compliance audit of this agency as a part of the statewide audit of the State of Minnesota's Fiscal Year 1989 Financial Statements.

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.

Marlene Swanson, Director of Driver Vehicle Services Division, will be responsible for the implementation of the recommendations for findings number one, four, and five. Frank Ahrens, Director of the Office of Fiscal and Administrative Services, will be responsible for implementation of recommendations for findings number two and three. Maureen Cannon, Executive Director of the Children's Trust Fund, will be responsible for implementation of the recommendation for finding number six.

**FINDING NUMBER ONE:** A flaw within the motor vehicle system allows improper transactions to be processed without detection.

Public Safety does not adequately control potential abuse of "nonmonetary" transactions processed through the motor vehicle system. This control weakness would allow errors or irregularities to be concealed by falsely entering legitimate cash transactions as "nonmonetary". There is no trail of "nonmonetary" transactions in the system and no supporting documentation.

Public Safety's employees refer to "nonmonetary" transactions as those entered on the system without entry of a receipt at the same time. Primarily, "nonmonetary" transactions represent original entry of motor vehicle transactions submitted to the central office by deputy registrars. The deputies submit daily reports of collections to the central office. Upon review of the reports, central processing groups enter these transactions on the system.

Department employees also may enter "nonmonetary" transactions to record corrections on the motor vehicle registration system. However, when department employees collect motor vehicle receipts

directly, they should not record the transaction as "nonmonetary." Rather, they are supposed to enter a regular batch transaction onto the motor vehicle registration system. The batched transactions are then compared to cash receipts to ensure that all collections are deposited. The system does not prevent department employees from the unauthorized use of "nonmonetary" transactions. Furthermore, the motor vehicle registration system does not generate sufficient information to detect improper "nonmonetary" transactions. Over 150 DPS input clerks have unrestricted access for entering "nonmonetary" transactions. The transactions cannot be traced to the entry source nor to an original cash collection transaction. Therefore, we could not determine the extent to which employees may be misusing "nonmonetary" transactions.

This system flaw would allow employees to enter unauthorized information on the motor vehicle registration system. It would also permit a theft of cash receipts to occur without detection. We believe the department must take prompt action to correct such a serious weakness in the system.

#### RECOMMENDATIONS:

- \* The department must develop a method of tracing "nonmonetary" transactions in the system to ensure that all receipts have been collected.
- \* The department should limit access to the system for entry of "nonmonetary" transactions.

#### RESPONSE:

1. The current system does allow specific transactions to be tracked to the person who made the entry. All transactions that could involve money are associated with a title number, plate number and/or sticker number which are controlled. The following steps have been taken to provide further safe guards:
  - a. The suspense letters produced by the CPG'S are being altered to give a mail station address for all responses which require a remittance. The money received in response to those letters will be delivered directly to the mail issue area.
  - b. All title applications are reviewed against the title print report daily. the purpose of the check was to make sure that all titles were properly printed. This check will be now include a verification that all applications have a stamp that shows that the fees were paid to the deputy registrar.
2. Access to the "nonmonetary" transactions is necessary for a large number of employees. Most of the transactions processed by DVS have been paid for at a Deputy Registrar office and the department function is to enter the

transaction. without access to the "nonmonetary" transactions, the employees cannot process the work. the following steps are being taken:

- a. The daily operator statistic reports will be monitored to determine if an unusual number of nonmonetary transactions are taking place.
- b. Access to the nonmonetary transactions has been removed from the Public Counter personnel.

FINDING NUMBER TWO: PRIOR FINDING NOT RESOLVED. Public Safety does not adequately verify the state's share of patrol fines.

The Department of Public Safety is not verifying the accuracy of the state's portion of highway patrol fines submitted by the counties. Because of inadequate documentation provided by the counties, a detailed reconciliation cannot be performed. However, the department has not fulfilled its responsibility to monitor the receipts for reasonableness.

We attempted to assess the reasonableness of patrol fines submitted by 23 counties by comparing fiscal year 1988 and 1989 receipts. As part of this comparison, we reviewed the number of tickets issued during the two years in an attempt to explain the differences in receipts. Three counties showed significant fluctuations in the collections of receipts from one year to the next that were not supported by changes in tickets issued. One county reported a 15 percent decrease in receipts transmitted to the state though there was an 18 percent increase in tickets issued. Another county reported a 22 percent decrease in receipts with only a 3 percent decrease in tickets issued. The third reported a 66 percent increase in receipts with only a 5 percent increase in tickets issued. Because of the unexplained receipt fluctuations and the inadequacy of reports submitted by the counties, we were unable to determine that all funds were properly submitted to the Department of Public Safety.

Under Minn. Stat. Section 299D.03 subd. 5(a), the state receives five-eighths of all highway patrol fines unless the violation occurred within a municipality. If within a municipality, the state receives one-third of the fine. The counties submit a summary report which contains a breakdown of the type and amount of fines received but does not provide the corresponding ticket numbers. therefore, the department can only verify the mechanical accuracy of the summary sheets. Staff cannot determine if all tickets were processed and the corresponding receipts transmitted to the department.

Public Safety is currently working with the Supreme Court to determine the feasibility of modifying the county reports to include ticket numbers. If modification of the reporting system is not feasible, the department must establish an alternate

method of verifying receipts. At a minimum, the department must verify that the receipts remitted are reasonable.

RECOMMENDATION:

- \* The department should verify the state's share of highway patrol fines.

RESPONSE:

Prior to 1980, the department did obtain the necessary information to verify the calculation of the State's share of the highway patrol fines. The cost of performing the reconciliation exceeded the benefits derived. In many cases, the department was unable to reconcile the highway patrol fines to the receipts from the counties. Thus, in 1980, the Legislative Auditors Office agreed with the department's assessment of the situation and allowed the department to drop the manual reconciliation process.

In the 1988 financial and compliance audit of this agency, the auditors recommended that we go back to verifying the highway patrol fine remittance from the counties in an effort to verify the calculation of the state's share. As stated in the 1988 management letter, one method of verification would be to require counties to provide ticket numbers comprising the fine amounts on the summary reports. The department could then verify the accuracy of monthly patrol receipts by performing an independent calculation of these receipts for a sample of counties each month. The management letter also stated that computations would require the department to obtain information the driver license records as a means of verifying the accuracy of receipts collected from the counties for patrol fines.

In our response to this recommendation, we pointed out that there were significant problems with the suggested method of verification. Those recommendations were not included in the 1989 management letter.

We have taken steps to insure that the reports the counties submit to the department, along with the monthly remittance of highway patrol fine collections, contain a detail listing of all patrol fines ticket numbers and the dollar amounts. The Supreme Court/Information Systems Office is in the process of making programming changes that we had requested to the State Patrol fine remittance report (TAR018/REPT23 Report). The Information Systems Office estimates that these changes will appear on the 1990 May or June reports. We will be developing procedures for the sampling of county receipts and the reconciliation of those receipts/county State Patrol fine remittance report to the State Patrol Activity System/Ticket Book History Report.

The audit finding states that, "the department has not fulfilled its responsibility to monitor the receipts for reasonableness." We believe this is a new finding in that the test of reasonableness was not cited in the previous audit. However, we

will follow up with those counties cited in the audit work papers with unexplained receipt fluctuations.

We will be developing procedures for an annual comparison of total receipt collections by county comparing current fiscal year receipts to prior year collections with the number of tickets issued during current and prior year. Counties will be contacted if significant fluctuations are identified. We will ask that the counties identify in writing the reasons for the fluctuations.

FINDING NUMBER THREE: Public Safety's statutory authority for depositing certain fees is not clearly defined.

We question whether Public Safety has deposited drivers license record fees in accordance with statutory requirements. The department deposits 90 percent of drivers license record fees in the Trunk Highway Fund and 10 percent in the General Fund. The statute governing drivers license record fees, Minn. Stat. Section 170.23, does not specify where the receipts are to be deposited. Under Minn. Stat. Section 16A.72, all receipts which have no other statutory provision should be deposited into the General Fund. However, during fiscal year 1989, Public Safety deposited more than \$3.9 million in record fees into the Trunk Highway Fund. The department has presumed that record fees may be deposited in the same manner as fees collected for all other drivers license transactions as provided in Minn. Stat. Chapter 171.

Also, during fiscal year 1989, Public Safety deposited more than \$1.9 million in motor vehicle service fees into the Highway User Tax Distribution Fund though not specifically authorized under Minn. Statutes. The department deposited service fees into this fund based on the depositing requirement of other related fees and taxes in Minn. Stat. Chapters 168 and 168A. If the service fee was associated with more than one type of motor vehicle transaction, the department split the service fee, depositing equally between the General Fund, and Highway User Fund. These statutes do not give specific authorization for the deposit of service fees into the Highway User Fund, nor the department's decision to split the deposit between funds.

RECOMMENDATION:

- \* Public safety should deposit all receipts in compliance with legal provisions. It should seek new legislation or advice from the Attorney General's Office to clarify requirements for the deposit of receipts not specifically identified in statute.

RESPONSE:

The department will be seeking legislative authority for the deposition of revenues by having the current statutes pertaining to the Driver License Record Fees and the Motor Vehicle Filing

Fees amended in the 1990 Legislative Session. The costs related to these activities are being funded through a direct appropriation from, in the case of driver license record activity, the Trunk Highway Fund, and in the case of motor vehicle registration and titling activity, the General and Highway User Tax Distribution Funds.

FINDING NUMBER FOUR:       Public Safety does not promptly deposit all motor vehicle receipts collected through the mail.

The mail issue section of the Department of Public Safety does not deposit its receipts until the respective motor vehicle transactions are entered onto the motor vehicle system. Once the motor vehicle transactions are in process, the department deposits these receipts directly into the state depository.

Minn. Stat. Section 16A.275 requires that agencies "shall deposit receipts totaling \$259 or more in the state treasury daily." However, June 30, 1989 receipts totaling almost \$1 million were held more than three business days. Further, more than \$250,000 was held over one week before deposit. Daily deposit of receipts exceeding \$250 provides safeguards, and maximizes the interest earning potential of receipts collected. The department should determine if prompt depositing is possible under the current process. If prompt depositing is not feasible, the department should seek a waiver from the Department of Finance, to avoid depositing requirements.

RECOMMENDATION:

- \*       Receipts in excess of \$250 should be deposited daily, in accordance with Minn. Stat. Section 16A.275. Alternately, the department may seek a waiver from the Department of Finance.

RESPONSE:

There are fluctuations in the number of renewals coming into the department. It appears that it would be very difficult to comply with the requirement to deposit the money within one day of receipts. The department will seek a waiver from the Department of Finance.

FINDING NUMBER FIVE:       Public Safety did not consistently charge drivers license record fees and overweight fines as established in statute.

Public Safety has reduced drivers license record fees for two departments at the University of Minnesota, the Internal Revenue Service, various state universities, and one school district. The department has not charged three Minnesota counties or the Metropolitan Transit Commission. The drivers license record fees were established under Minn. Stat. Section 170.23, determining charges for computer inquiries, abstracts, copies of records, and certified copies of drivers license records. There is no

statutory authority that allows Public Safety to reduce drivers license record fees for these entities.

Public Safety cites Minn. Stat. Section 13.05 subd. 9 which allows a nominal fee for intergovernmental access of data classified as not public. However, drivers license records are public data, therefore, this statute does not apply. When the drivers license record fees are reduced, the state does not receive all revenues to which it is entitled. furthermore, Public Safety is not in compliance with Minn. Stat. Section 170.23.

Public Safety is not assessing T-Class (farm vehicles) additional overweight penalties. The Highway Patrol issues tickets for overweight fines. If a vehicle is found to exceed its registered weight by over 25 percent, the courts assess an additional fine. According to Minn. Stat. Section 168.013 subd. 3, Public Safety is required to cancel the certificate of registration upon notice of conviction from the county court. The individual then must reregister the vehicle at the next higher weight for the full year. Currently, Public Safety does not cancel T-Class registration certificates, nor charge additional registration fees. Minn. Stat. Section 168.013 subd. 3 does not exempt T-Class vehicles from these penalties.

#### RECOMMENDATIONS:

- \* The Department of Public Safety should charge all entities the established fees for drivers license records.
- \* The department should cancel registration certificates and assess reregistration fees for T-Class vehicles convicted of overweight violations.

#### RESPONSE:

Both recommendations have been implemented.

FINDING NUMBER SIX: The Children's Trust Fund Advisory Council does not formally approve applications for grant awards.

The Children's Trust Fund Advisory Council was established in 1986, in part to provide the commissioner of Public Safety with grant award recommendations to fund programs in child abuse prevention. During its first two years, the trust fund awarded more than \$500,000 to 42 programs and 6 administrative bodies in Minnesota.

While council members review award applications, there is no formal approval of awards which have been recommended to the commissioner. The executive director forwards a list of the recommendations to Public Safety. This list does not include an authorized signature by an advisory council member. Further, there are no council signatures evident on approved or denied

award applications. Upon recommendation, the commissioner enters into contracts directly with award recipients.

Additionally, the council has not kept documentation on those applications in which funding was denied. Without proper documentation, the council may not have adequate support for decisions made, and may be exposed to unnecessary liability.

Under Minn. Stat. Section 299A.23 the commissioner must have the advice and consent of the advisory council to distribute funds for child abuse prevention. A formalized approval process provides support of advisory council decisions. Additionally, proper authorization and retention of documentation provided assurance that all program awards are appropriate.

RECOMMENDATIONS:

- \* A formal process should be established for approving award applications from the Children's Trust Fund.
- \* The council must establish a record retention schedule to maintain adequate documentation on all applications and decisions for funding.

RESPONSE:

The process by which the advisory council arrives at their recommendations as to which grants they will recommend for awards and which ones they recommend be denied, will be formalized prior to the next funding cycle. In the future, their written comments, recommendations and conclusions will be attached to each application, and will be signed by all concerned, and or the chairperson.

Applications that are denied funding will have the "Reasons for Denial" attached to the file and will be retained in the Children's Trust Fund records retention file at the Department's warehouse for a period of three years.

Applications that receive awards and are active, will be kept in the files in our office until the contract expires. After that, they will be stored at the warehouse for a period of three years.

Sincerely,



Paul J. Tschida  
Commissioner  
Department of Public Safety

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