

Department of Safety

**For the Years Ended
June 30, 1996, and June 30, 1995**

Arthur A. Hayes, Jr., CPA

Director

Charles K. Bridges, CPA

Assistant Director

Kandi B. Thomas, CPA

Audit Manager

Julia Burton, CPA

Barbara W. DeHarde, CPA

In-Charge Auditors

Dustin M. Green

James Ligon

LaShawn Patterson

Staff Auditors

Leslie Bethea

Editor

February 9, 1998

The Honorable Don Sundquist, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

The Honorable Michael C. Greene, Commissioner

Department of Safety

1150 Foster Avenue

Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Department of Safety for the years ended June 30, 1996, and June 30, 1995.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Department of Safety's compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Department of Safety is responsible for establishing and maintaining the internal control structure and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The department's administration has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving the department's internal controls and/or instances of noncompliance to the Department of Safety's management in a separate letter.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/rd
97/067

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Department of Safety
For the Years Ended June 30, 1996, and June 30, 1995

AUDIT SCOPE

We have audited the Department of Safety for the period July 1, 1994, through June 30, 1996. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of Confidential Fund, Equipment, Revenue, Driver's License Records, Payroll and Personnel, and Motor Vehicle Title and Registration. The audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDINGS

Cash Receipts Not Reconciled Timely*

The department does not reconcile cash receipts with driver's license applications daily (page 5).

Inadequate Controls Over Time Sheets

Because time sheets are not adequately reviewed, the department overpaid employees \$16,240.77 (page 10).

Personnel Policies Not Followed

The department paid commissioned officers premium overtime when the hours worked exceeded 160 rather than 171 as required in departmental rules (page 11).

Accidents and Violations Not Posted Timely to Drivers' Records*

Posting of accidents and violations takes several weeks, so the department may not promptly identify unsafe drivers (page 6).

Inadequate Monitoring of License Plate Sales Information

The department's failure to monitor license plate sales information resulted in a misstatement to the Department of Revenue and incorrect apportionment of revenue to other agencies (page 16).

Refunds Not Processed Timely**

The department has not promptly processed refunds for titles and registrations (page 15).

**County Clerk Reports Not Submitted
Timely****

Counties did not submit reports of applications for titles and original registrations timely (page 14).

Inadequate Reconciliation Procedures**

The department does not reconcile inventory reports of distributions of vehicle plates and decals with revenue received from the county clerks (page 13).

SPECIAL INVESTIGATION

An investigation of alleged improper activities by title and registration staff is currently ongoing and a separate report will be issued.

* This finding is repeated from the prior audit.

** This finding is repeated from prior audits.

“Audit Highlights” is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Department of Safety
For the Years Ended June 30, 1996, and June 30, 1995

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Post-Audit Authority	1
Background	1
AUDIT SCOPE	2
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS	2
Confidential Fund	2
Equipment	4
Revenue	4
Finding 1 - The department does not reconcile cash receipts with driver's license applications timely	5
Driver's License Records	6
Finding 2 - Accidents and violations are not posted timely to drivers' records	6
Payroll and Personnel	9
Finding 3 - Controls over the preparation and review of payroll time sheets are inadequate	10
Finding 4 - Payroll and personnel polices and procedures for overtime were not followed	11
Motor Vehicle Title and Registration	11
Finding 5 - Controls over reconciliation of motor vehicle plates and decals are inadequate	13

TABLE OF CONTENTS (CONT.)

	<u>Page</u>
Finding 6 - County clerks did not submit reports timely	14
Finding 7 - Title and registration refunds are not processed in a timely manner	15
Finding 8 - Management did not monitor license plate data and related apportionments	16
PRIOR AUDIT FINDINGS	17
Resolved Audit Findings	17
Repeated Audit Findings	17
OBSERVATIONS AND COMMENTS	17
Title VI of the Civil Rights Act of 1964	17
APPENDIX	18
Divisions and Allotment Codes	18
Department of Safety Funding Sources, Fiscal Year Ended June 30, 1996	19
General Fund Expenditures, Fiscal Year Ended June 30, 1996	19
Department of Safety Expenditures by Allotment and Division, Fiscal Year Ended June 30, 1996	20
Department of Safety Funding Sources, Fiscal Year Ended June 30, 1995	21
General Fund Expenditures, Fiscal Year Ended June 30, 1995	21
Department of Safety Expenditures by Allotment and Division, Fiscal Year Ended June 30, 1995	22

Department of Safety

For the Years Ended June 30, 1996, and June 30, 1995

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Department of Safety. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The mission of the Department of Safety is to provide quality service and law enforcement to Tennessee’s citizens and to protect their rights and property. Of the 20 divisions which support the commissioner and his staff, the following divisions are most in contact with the public:

- Capitol Police are responsible for patrolling and securing state buildings and grounds surrounding the capitol.
- Highway Patrol is responsible for enforcing motor vehicle and driver’s license laws, investigating traffic accidents, and providing motorists with assistance.
- Commercial Vehicle Enforcement is responsible for enforcing commercial vehicle laws on size, weight, and safety requirements.
- Executive Security provides security for the Governor and associated parties.
- Criminal Investigations investigates auto thefts, stolen vehicle parts, and odometer fraud.
- Special Operations consists of the Tactical Squad and the Aviation Unit and is responsible for special assignments such as bomb threats, VIP security, drug searches and seizures, and prisoner escapes.

- Pupil Transportation provides instruction for all school bus drivers and conducts safety inspections on school and other buses.
- Driver's License Issuance administers oral, written, and road tests and issues and renews driver's licenses.
- Motor Vehicle Title and Registration issues vehicle titles and registrations for all vehicles in Tennessee.
- Law Enforcement Training Academy provides basic law enforcement training for all state and local law enforcement officers.

An organization chart of the department is on the following page.

AUDIT SCOPE

We have audited the Department of Safety for the period July 1, 1994, through June 30, 1996. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of Confidential Fund, Equipment, Revenue, Driver's License Records, Payroll and Personnel, and Motor Vehicle Title and Registration. The audit was conducted in accordance with generally accepted government auditing standards.

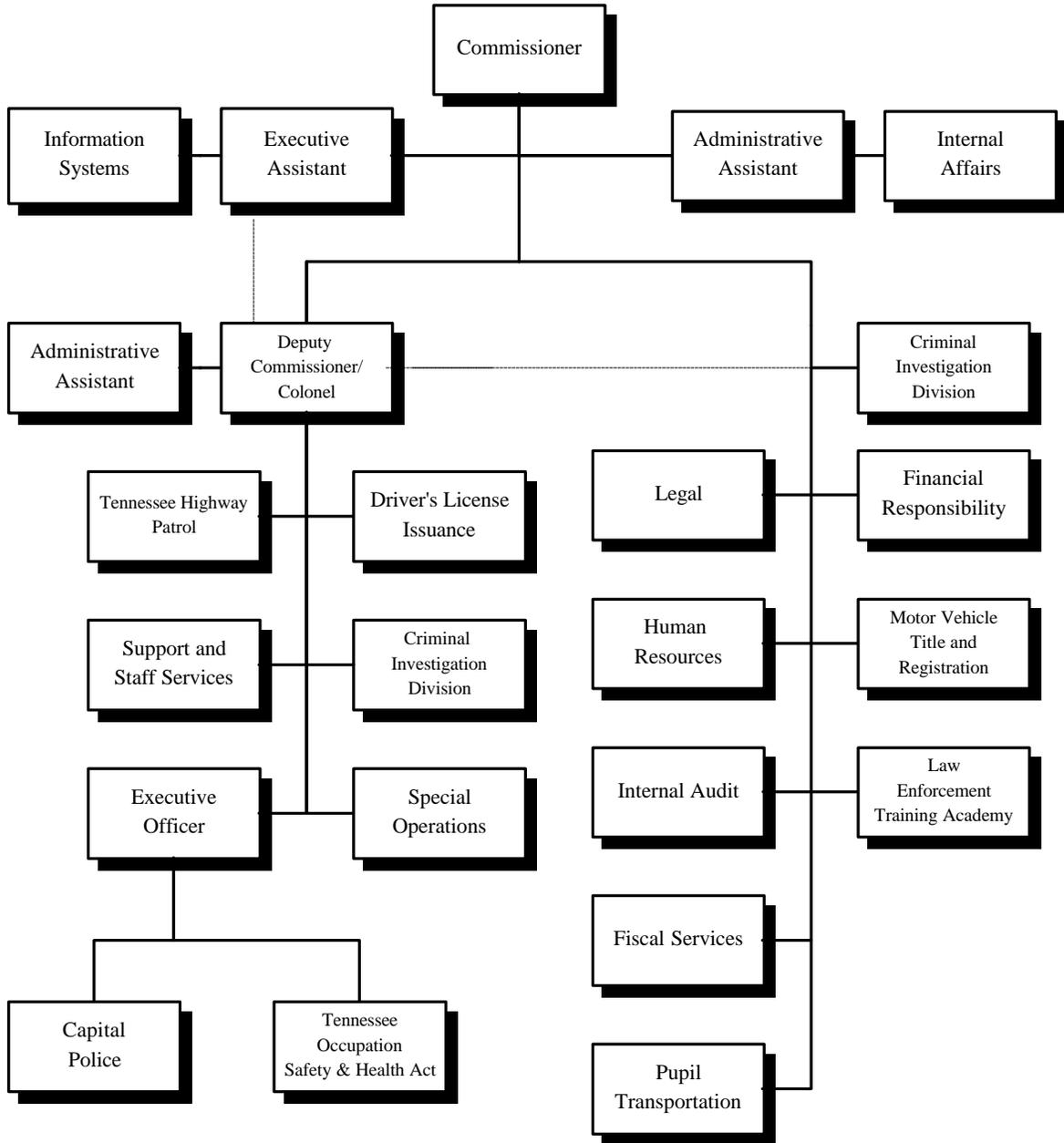
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

CONFIDENTIAL FUND

The objectives of our review of the confidential fund were to ensure that payments to informants and receipts for other investigative expenditures from the fund complied with established policies and procedures, that bank reconciliations were properly prepared and approved, and that confiscated money was appropriately accounted for.

We interviewed key criminal investigations division personnel to gain an understanding of the department's procedures for and controls over unused checks, signature authorizations for check signers, distribution of checks, and reconciliation of the confidential fund bank account. We confirmed the checking account balance at June 30, 1996, and reviewed a nonstatistical sample of bank reconciliations. We also reviewed supporting documentation for a sample of

**DEPARTMENT OF SAFETY
ORGANIZATION CHART
August 1997**



expenditures from the checking account and for a sample of cashiers' revenue transactions for confiscated money. We had no findings related to the confidential fund; however, immaterial weaknesses in internal control were reported to management in a separate letter.

EQUIPMENT

Our work in the area of equipment consisted of following up a prior audit finding and ensuring that all equipment transferred from the former Public Service Commission could be accounted for. We interviewed the department's key supply personnel to gain an understanding of the procedures for adding and deleting equipment from the department's equipment listing, as well as changing equipment location information.

A nonstatistical sample of items was selected from the department's equipment listing and the description, tag number, and location were physically verified. Procedures for identifying and transferring the former Public Service Commission equipment to the department's records were reviewed. Testwork resulted in no material reportable weaknesses; however, less significant control weaknesses were reported to management in a separate letter.

REVENUE

Our objectives in the area of revenue were to determine whether

- "Reports of Fines and Fees" were accurate and timely,
- controls over bad checks and collections were adequate,
- receipts agreed with amounts deposited, and
- funds were properly controlled and deposited intact.

Testwork on the "Reports of Fines and Fees" consisted of nonstatistical samples of county and city clerk of courts reports for the audit period. The sample receipt transactions were traced to deposit slips and reviewed for timely deposit.

Six driver's license testing centers were visited, and other cash-receipting locations were contacted or visited. Receipting procedures were discussed with key personnel and sample documents were reviewed. At the driver's license testing centers, the receipting procedures and the new cash reconciliations procedures were discussed, and cash counts and cash reconciliations were performed. Although procedures had been implemented to reconcile cash receipts with

driver's license applications processed, the reconciliations were not performed timely, and the prior audit finding is repeated. (See finding 1.)

A nonstatistical sample of bad checks received during the audit period was selected and tested for timely and proper notification of the driver's license applicant and timely posting to the applicant's driver history file. The prior audit finding on bad check procedures is not repeated.

1. The department does not reconcile cash receipts with driver's license applications timely

Finding

As noted in the previous audit, the department did not reconcile cash receipts from the driver's license testing stations with the applications processed. Management concurred with the previous finding and developed and implemented reconciliation procedures. However, procedures for the reconciliation were not written, and no time limit was given for preparation of the reconciliations. If the reconciliations are to be an effective control, they must be prepared daily.

For four of the six stations visited (67%), a Driver's License Station Reconciliation of Applications to Fees Received form (SF-0277) had not been completed for the previous day's transactions. The number of business days since the last reconciliation was prepared ranged from two to 11 days.

Good internal control procedures require that reconciliations be prepared in a timely manner so that management can be promptly notified if the proper amount was not collected for each license issued and if all amounts collected were not deposited.

Recommendation

The Director of Driver's License Issuance should assign specific responsibility for preparing detailed written procedures which specify the requirements for timely preparation and submission of the daily reconciliations. The director should also ensure reconciliations are performed daily.

Management's Comment

We concur. The guidelines presently being drafted are to be effective upon the delivery of the new cash registers, which is expected early this winter. It is expected that the features of the new cash register system will greatly facilitate the task, making it possible to realistically achieve the timely preparation and submission of the daily reconciliations. Before the cash registers are

actually delivered, the division will bring in the supervisors for a mandatory training session to discuss and to issue the new written guidelines. The training will focus not only on the new equipment, but also stress the importance of the timely preparation and submission of the daily reconciliation report, and help supervisors share ideas on expediting the reporting process.

DRIVER'S LICENSE RECORDS

Our work in this area consisted of a follow-up of a prior finding which also appeared in a recent performance audit. This finding on untimely posting of violations is repeated again in this report. (See finding 2.)

2. Accidents and violations are not posted timely to driver's records

Finding

The department has not posted accidents to drivers' records in a timely manner. Posting took, on average, 12 weeks (86 days) in fiscal year 1995, and seven weeks (48 days) in fiscal year 1996, from the date of the accident to the date the department posted the accident to the driver's record. As a result of this delay and the department's policy of waiting until the accident is recorded before assessing points for driving violations, the department may not be promptly identifying unsafe drivers and taking action, when necessary, to suspend or revoke their driving privileges.

Untimely Posting of Accident Records

Accident Record Submittal. We reviewed a random sample of accident records submitted to the department in fiscal years 1995 and 1996 and found that law enforcement authorities generally took an excessive amount of time to submit records. In fiscal year 1995, on average the department did not receive the accident report from law enforcement authorities until 24.5 days after the accident. The number of days from accident to receipt of report ranged from two days to 84 days. The average decreased to approximately 20 days in fiscal year 1996, ranging from one day to 97 days.

The department does not monitor the submission of over 200,000 accident reports local authorities submit annually. Thus, the department does not identify the law enforcement authorities that do not submit timely reports nor attempt to notify those entities to encourage timely submission. Even if it could identify these agencies, the department has no enforcement authority. Section 55-10-108, *Tennessee Code Annotated*, requires law enforcement officers to submit accident reports to the department within 24 hours of completing the investigation. However, the statute contains no provisions for enforcement or incentives for timely submission.

The department does not believe accident reports need to be submitted within 24 hours but believes the ideal time frame depends on the size of the entity and the number of records it submits. For example, management stated one month should be the maximum time allowed for smaller entities, and one week would be more appropriate for larger entities like Nashville/Davidson County or Memphis/Shelby County.

Accident Posting. The department has shown improvement in posting reports once they are received. In fiscal year 1995, it took approximately 61 days from the date the department received the accident report to the posting date. The number of days from receipt to posting ranged from five to 164 days. This average decreased in fiscal year 1996 to approximately 28 days—with a range of five to 56 days.

The problem of timely posting of traffic accidents has been a continuing one for the department and was noted in prior performance and financial audits. The prior performance audit of the department, released in April 1990, found a backlog of 144,000 reports in April 1989. The ensuing delay in posting the accidents to drivers' records was six to 12 months. In response to the audit, the department set a goal of decreasing the turnaround time in posting accidents to within 30 days of receiving reports. Although the department has reduced the time it takes to post accidents after the reports have been received, the time between accident and posting dates still seems excessive. Within the audit sample, accident posting took from 20 days to 119 days in fiscal year 1996 and from 26 days to 218 days in 1995.

Delays in Assessing Violation/Accident Points

Points are assessed to a driver's record based on the date the department processed the accident report or court conviction, rather than on the date of the accident or violation. Since the department sometimes takes more than three months to process some accidents (and in previous years even longer), this policy could allow drivers whose licenses should be suspended to continue driving.

Section 55-50-505, *Tennessee Code Annotated*, requires the department to conduct a Driver Improvement Program, the purpose of which is to take appropriate action, including license suspension, against drivers who frequently contribute to accidents or are convicted of traffic violations. The department updates driving records based on accident reports law enforcement authorities submit. The department assesses points, based on the severity of the offense, to identify drivers whose records reflect a continuous disrespect for traffic laws and the safety of other drivers. For example, contributing to an accident involving property damage results in a three-point assessment, and contributing to an accident resulting in another's death results in an eight-point assessment.

When a driver has accumulated 12 or more points in a 12-month period, or has been deemed accident prone (three or more avoidable accidents within one year), the driver's license is suspended, subject to appeal. Points remain on drivers' records for 12 months after they are posted.

Department policy 1340-1-4-.04(6) requires that points be assessed to an individual's driving record for cumulative purposes based on the date the accident report or traffic violation conviction is processed, rather than on the date of the accident or conviction. Because of this policy and delays in processing accident reports, unsafe drivers could avoid having their licenses suspended. For example, a driver who had eight points on his record in January could have an accident in December of the same year resulting in the assessment of four points. If these points were not processed until February of the next year, the driver could avoid suspension because the points placed on his record in January would have been removed.

Timely posting of accidents and violation convictions is essential to the success of the Driver Improvement Program's point system. Lack of timely posting increases the likelihood that problem drivers will continue to drive despite accumulating sufficient points to warrant suspension of driving privileges. Late posting ultimately may affect the department's ability to fulfill its primary mission to provide safer highways for the citizens of Tennessee.

Recommendation

The department should continue efforts to improve the timely processing of accident reports, including establishing goals for time frames for processing reports and posting points to drivers' records. The department should attempt to process accident reports within one month of the accidents.

The General Assembly should consider amending Section 55-10-108, *Tennessee Code Annotated*, to require law enforcement authorities to submit accident reports within one week as opposed to 24 hours. The department should then monitor the submission times and inform the law enforcement authorities when they violate the law.

The department should change its policy for its Driver Improvement Program and assess points based on the date of the accident and/or offense, rather than on the date the accident and/or offense was posted to the driver's record.

Management's Comment

We concur. During the past year, we have had difficulty keeping the Accident Records Unit and the Ticket Evaluation Unit properly staffed. However, we have been able to reduce the backlog in each of these areas as noted in the finding. We believe that when we are able to reach full staffing, we will be able to reduce the time needed to enter the accident and/or violation on to the driving records.

We are in the process on a pilot basis of developing a scannable accident report. The report should be in production within the next few months. This should enable us to process the reports more efficiently and thereby further reduce the time lapse between the date of the accident and the date it appears on the driving record.

We are in the process of revising the Driver Improvement Program and in that revision we will consider adjusting the manner by which points are assigned. We believe that we would need to have a specified time period for the accident or violation to be posted to the driving record in order for that accident or violation to be considered in determining if some licensing sanction should be taken.

We foresee no objection if the General Assembly amended Section 55-10-108, *Tennessee Code Annotated*, to require law enforcement authorities to submit accident reports within one week as opposed to 24 hours.

PAYROLL AND PERSONNEL

Our work in the area of payroll and personnel consisted of

- following up a prior audit finding concerning inadequate controls over payroll and personnel,
- reviewing controls over time sheet preparation,
- obtaining reasonable explanations for the large number of employee overpayments reported to the Comptroller's Office, and
- reviewing compliance with General Order 205 for payments to commissioned officers for overtime and premium overtime.

To follow up a prior finding, a nonstatistical sample of employee files of new hires was examined for adequate documentation of education and experience prior to hiring. Also a nonstatistical sample of current employee files was examined for timely completion of performance evaluations. The prior audit finding was not repeated.

We interviewed the department's key human resources personnel to gain an understanding of the procedures for preparing and auditing time sheets before they were entered into the payroll system, as well as procedures for collecting overpayments from the department's current and former employees. Procedures lacked adequate controls as discussed in finding 3.

The review of procedures concerning departmental overtime revealed that not all overtime was being calculated based on the department's General Order 205. This noncompliance is addressed in finding 4.

3. Controls over the preparation and review of payroll time sheets are inadequate

Finding

The Department of Safety does not have adequate controls over the preparation and review of payroll time sheets. As a result, the department made 104 overpayments totaling \$16,240.77 to employees through December 1996, according to reports submitted to the Office of the Comptroller of the Treasury. Twelve of these overpayments totaling \$4,207.16 were made to terminated employees; \$2,322.74 of this amount has not been collected. The rest of the overpayments have been deducted from active employees' subsequent payroll checks. Not only has the department lost the uncollected overpayments, it has also used valuable time and resources to confirm, calculate, collect, and document the overpayments.

The following contributed to the overpayment problem:

- Time-keeping staff audit time and attendance forms after, not before, the payroll has been processed. Also, the field supervisors do not closely review the time sheets for accuracy before approving them for payroll.
- Sixty-seven of the 104 overpayments (64%) were due to keying errors and 18 (17%) were due to misclassification of overtime because personnel keying items into the system were not properly trained and/or were not adequately performing their duties. (One employee overpayment reported did not include an explanation for the error.)
- The 12 overpayments to terminated employees (12%) and six overpayments to reclassified employees (6%) were the result of field supervisors' delays in notifying the Human Resources division of personnel changes, such as terminations.

If internal controls are not implemented to prevent these overpayments, the loss to the department will continue to grow. The department has already reported \$2,375.69 of overpayments to the Comptroller of the Treasury in January and February 1997.

Recommendation

The department should audit time and attendance forms before they are submitted for payroll processing to lessen the frequency of overpayments. Supervisors should be held accountable for the accuracy of time sheets and the timely notification of personnel changes.

Management's Comment

We concur. The time-keeping staff of the Personnel Division will begin auditing time and attendance forms before they are submitted for payroll processing. When mistakes in time-

keeping or delays in the notification of personnel changes occur, the Personnel Director will notify the appropriate level supervisor by letter stating the problem or error and the steps to be taken to prevent the mistake.

4. Payroll and personnel policies and procedures for overtime were not followed

Finding

The Department of Safety does not always follow its payroll and personnel policies and procedures regarding a 28-day work schedule for uniformed commissioned employees (General Order 205). “A 28 day work schedule consists of 160 hours. Regular overtime will be paid for hours worked greater than 160 but less than 171. Premium overtime will be paid for hours worked over 171.”

Commissioned officers serving as aircraft pilots on the Governor’s drug task force and as state troopers involved in federal “Selective Traffic Enforcement Program” grants have been paid the premium overtime rate for all hours worked over 160. Because of this error, federal programs may have been overcharged, and the Department of Safety may have been overcharged when federal funds were unavailable.

Recommendation

The Director of Personnel and Director of Fiscal Services should take appropriate action to ensure that departmental procedures for the 28-day schedule and payment of overtime to commissioned officers are followed.

Management’s Comment

We concur. The Department of Safety will revise General Order 205 to allow payment of premium overtime for federal grants and other reimbursed overtime before the end of the twenty-eight (28) day schedule. The Department of Safety will submit a letter to the Department of Personnel requesting approval to pay these types of overtime before the end of the twenty-eight (28) day schedule.

MOTOR VEHICLE TITLE AND REGISTRATION

The objectives of motor vehicle title and registration testwork were to follow up prior audit findings by determining whether

- license plate inventory procedures were adequate,
- controls over title and registration revenue were adequate,
- counties were submitting proper and timely reports,
- refunds were timely and properly approved,
- daily deposits were adequately reported on STARS, and
- revenue allocation information for license plate sales was properly reported to the Department of Revenue.

Auditors did not perform testwork on license plate inventories because no changes had been made in the system. The prior audit finding was repeated (see finding 5).

We interviewed title and registration personnel to gain an understanding of the department's procedures for ensuring the timely deposit of title and registration fees. Since controls have improved considerably, the prior audit finding was not repeated.

Nonstatistical samples of 30 counties were selected for registration and title fee testwork. Remittance reports of title fees for one month during the audit period were tested for timely submission, adequate documentation, and reconciliation of daily invoices with revenue collected. Renewal registration transmittal reports were tested for timely submission and adequate documentation. This testwork indicated a need to repeat the audit finding (see finding 6).

A nonstatistical sample of 25 title and registration fee refunds was tested for prompt processing. A prior audit finding was repeated (see finding 7).

Revenue totals for two months after installation of the new revenue system were reconciled with the monthly Department of Revenue Report of Revenues. Deposits were adequately reported on STARS.

Procedures for reporting to the Department of Revenue information on the sales of various classes of license plates were discussed with title and registration personnel and information system personnel. Procedures were inadequate to ensure that accurate information was sent to the Department of Revenue and resulted in incorrect revenue apportionment to other state agencies (see finding 8).

Furthermore, an investigation of alleged improper activities by title and registration staff is currently ongoing and a separate report will be issued.

5. Controls over the reconciliation of motor vehicle plates and decals with revenue are inadequate

Finding

As noted in the previous three audits, the Motor Vehicle Title and Registration Division (MVD) does not reconcile inventory reports of distributions of vehicle plates and decals with the revenue received from the county clerks for sale of these items. Management concurred with the prior audit finding and stated that a new inventory system would be ready for “new-plate” issuance beginning January 1996. However, according to management, no progress has been made and the new system is still not functional. Furthermore, the department has not enforced the requirement that county clerks submit quarterly inventory reports as set forth in the policies and procedures manual.

Although county clerks submit remittance reports to MVD for the revenue received from renewal registrations and title and original registration applications, they do not always submit inventory reports. Moreover, the division did not maintain those inventory reports that were submitted and did not reconcile reductions in plate and decal inventory with revenue from the clerks. Therefore, the division cannot be assured that all revenue due was received.

Section 55-6-105(8), *Tennessee Code Annotated*, states that it is the county clerk’s duty to “account to the department of (Safety) for all registration plates so consigned to such clerk.”

Recommendation

The commissioner, in coordination with the director of the Motor Vehicle Title and Registration Division, should determine why no progress has been made to establish a system to accurately account for the inventories of plates and decals distributed to each county and the related revenue from the sale of these items. Appropriate steps should be taken to develop this system. Remittances from the county clerks should be periodically reconciled with each county’s reported inventory. County clerks should be provided guidelines, including deadlines, for reporting revenue collections and inventory changes.

Management’s Comment

We concur. We realize the importance of a system for accountability over plates and decals issued. However, our present computer system is over twenty (20) years old and will not accommodate the changes necessary to facilitate a comprehensive inventory accounting system. We will attempt to reconcile plates and decals to revenue received manually on a sample basis. A letter was mailed to each clerk notifying them of the changes in reporting deadlines. These changes will be included in the next revision of our policies and procedures manual.

6. County clerks did not submit reports timely

Finding

As noted in the previous two audits, the county clerks did not timely submit reports of applications and original registrations and reports of renewal registrations to the Motor Vehicle Title and Registration Division (MVD). Management concurred with the prior finding and stated that top management would monitor procedures to ensure appropriate actions were taken, but reports are still not submitted on time.

A change in the law effective March 29, 1996, allows additional time for the counties to submit reports. The law differs for counties depending on whether they contract with the state to issue titles. Section 55-6-105(a)(5), *Tennessee Code Annotated*, requires non-contract county clerks to submit the reports within five days after the applications are filed. Contract county clerks are allowed an additional five days.

Applications for title reports and original registrations reports from March 1996 were tested for 30 counties to determine if the county clerks had submitted reports on time. Ten of the counties are under contract with the state to issue titles; 20 are not. One of ten contract counties tested (10%) and seven of 20 non-contract counties tested (35%) had not submitted completed reports on time. The reports ranged from one day to nine days late.

Reports of renewal registrations for March 1996 were also tested for 30 counties to determine if county clerks had submitted these reports on time. Section 55-6-105(a)(7), *Tennessee Code Annotated*, requires each county clerk to “remit and report, not later than the tenth day of each month, to the department all moneys collected” for renewal registrations. Reports for 15 of 27 counties tested (55.5%) were not submitted by the tenth day of the following month and ranged from one day to 13 days late. In addition, timeliness testwork could not be performed on three reports because two were not date stamped, and one could not be located.

Since the revision of law, procedures were initiated to notify the county clerks by letter when reports were filed late. The department may penalize the county clerks as described in Section 55-6-105(b), *Tennessee Code Annotated*. However, the department has elected not to do so.

Recommendation

The Director of Motor Vehicle Titles and Registration should monitor the new procedures to ensure that county clerks are filing reports timely and that letters regarding delinquent reports are promptly prepared and mailed. The commissioner should consider imposing a penalty for reports submitted late.

Management's Comments

We concur. Reports will continue to be monitored to determine the timeliness of such reports. Letters regarding delinquent reports will be properly prepared and mailed. The commissioner will consider imposing a penalty for late reports.

7. Title and registration refunds are not processed in a timely manner

Finding

As noted in the previous three audits, the Motor Vehicle Title and Registration Division (MVD) does not process refunds timely. Management concurred with the prior finding and stated that the division was currently working to develop a tracking mechanism to monitor and ensure the prompt processing of title and registration refunds. However, the processing of refunds is still untimely because only one person is assigned this task.

Section 67-1-1803(b), *Tennessee Code Annotated*, states that interest may be required on refunds not made within 45 days of the claim for refund. Thus, state funds could be lost if interest must be paid on late refunds. Five of 22 refunds tested (22.7%) had not been processed within the 45-day limit from the date they were received by Titles and Registration, and eight of 14 (57.1%) were not processed within the 45-day limit from the date the customer initiated the refund. In addition, timeliness testwork could not be performed on three of 25 refunds (12%) because key date information was missing.

Recommendation

The Director of Motor Vehicle Title and Registration should ensure the timely processing of refunds. The director should also monitor refund processing to ensure compliance with state law.

Management's Comment

We concur. The Director will monitor the refund procedures to insure the timely processing of refunds in accordance with state law. An alternate employee will be assigned the responsibility of processing refunds when the primary employee responsible for processing refunds is unavailable.

8. Management did not monitor license plate data and related apportionments

Finding

Department management did not monitor license plate registration and renewal information before transmitting it to the Department of Revenue. Although management knew the antiquated software was not accurately accumulating registration and renewal data, they were unaware of the magnitude of the problem. As a result, the department provided the Department of Revenue inaccurate information on revenue from the sale of cultural and specialized license plates, information used for apportionment of revenue to other state agencies.

These apportionments did not meet the expectations of the state agencies dependent on this source of funding in their fiscal budget estimations. The Tennessee Wildlife Resources Agency, in conjunction with the Department of Safety's internal auditor, researched information on Watchable Wildlife license plate renewals and registrations and requested a \$189,000 revision to its apportionment in fiscal year 1997. The Department of Finance and Administration, in processing the request, considered the amount of the revision significant and asked for a review of all agency apportionments. Because the software could not be relied on for accurate information, the data had to be manually reconciled. As a result, other agencies, particularly the Tennessee Arts Commission, received adjustments totaling \$1.3 million from the general fund for fiscal year 1997.

The Department of Safety also failed to monitor the results of the Department of Revenue's apportionment to ensure its reasonableness. Such a review could have noted the significant decline in revenue to the agencies.

Recommendation

The Commissioner of the Department of Safety should ensure that accurate renewal and registration information is sent to the Department of Revenue. The Director of the Division of Motor Vehicle Title and Registration should seek assistance to solve the software problems.

Management's Comment

We concur. Steps have been taken to improve the computer software used to generate more reliable renewal and registration information which is used by the Department of Revenue for apportionment purposes.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Safety filed its report with the Department of Audit on March 21, 1996. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the Department of Safety has corrected previous audit findings concerning inadequate controls over title and registration revenue, insufficient controls over equipment, non-specific written procedures for returned checks, and inadequate controls over payroll and personnel issues including identification cards, verification of education requirements, and performance evaluations.

REPEATED AUDIT FINDINGS

The prior audit report also contained findings concerning inadequate controls over reconciliation of motor vehicle plates and decals with revenue, improper submission of county clerks' reports, inadequate procedures for timely processing and approval of title and registration refunds, late posting of accidents and violations to driver's records, and the lack of timely reconciliations of cash receipts with driver's license applications. These findings have not been resolved and are repeated in the applicable sections of this report.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Tennessee Code Annotated, Section 4-21-901, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. For the year ended June 30, 1996, the Department of Safety filed its compliance report and implementation plan on June 25, 1996, and for the year ended June 30, 1995, on June 30, 1995.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

The State Planning Office in the Executive Department was assigned the responsibility of serving as the monitoring agency for Title VI compliance, and copies of the required reports were filed with the State Planning Office for evaluation and comment. However, the State Planning Office has been abolished. The Office of the Governor is currently evaluating which office in the Executive Branch will be the new monitoring agency.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report, *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

DIVISIONS AND ALLOTMENT CODES

Department of Safety divisions and allotment codes:

349.01	Administration
349.02	Driver's License Issuance
349.03	Highway Patrol
349.04	Motorcycle Safety Education
349.06	Auto Theft Investigations
349.07	Motor Vehicle Operations
349.08	Driver Education
349.09	Law Enforcement Training Academy
349.10	POST Commission
349.11	Titling and Registration
349.12	Major Maintenance
349.13	Technical Services
349.14	CID Anti-theft

