

EXECUTIVE DIGEST

CASH RECEIPTS OPERATIONS

INTRODUCTION	This report contains the results of our performance audit* of the Cash Receipts Operations, Department of State.
AUDIT PURPOSE	This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.
BACKGROUND	<p>The Department is responsible for registering motor vehicles; licensing motor vehicles, watercraft, snowmobiles, motorcycles, motor vehicle operators, chauffeurs, motor repair facilities, and motor vehicle dealers; and collecting the fees and taxes thereon.</p> <p>The mission* of the Department is to provide the most efficient and effective services to the people of Michigan through the licensing of drivers and the registration and titling of vehicles; the regulation of automobile dealers and repair facilities; the registration of voters and administration of elections; the preservation of Michigan's history; and the streamlined collection of revenue.</p>

During fiscal year 1997-98, the Department collected approximately \$1.9 billion of revenue at the central office and at 178 branch offices.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness and efficiency of the Department's cash receipts operations.

Conclusion: We concluded that the Department's cash receipts operations were generally effective and efficient. However, our assessment disclosed reportable conditions* in the areas of system access controls, vehicle registration fees, and not sufficient funds checks (Findings 1 through 3).

Noteworthy Accomplishments: During our audit, the Service Delivery Administration established an Office of Quality Assurance. The Office and Bureau of Branch Office Services (BBOS) developed and issued a Quality Assurance Manual for the branch offices. The manual provided monthly planning calendars and a suggested list of activities. It also included forms to record information, such as quarterly change fund audits and quarterly cashier code changes. BBOS also provided general information about good management practices, resource information for the Department, and best practice items to share among branch offices.

Audit Objective: To assess the effectiveness and efficiency of the Department's revenue recording function.

Conclusion: We concluded that the Department's revenue recording function was generally effective and

efficient. We did not note any reportable conditions related to this audit objective.

Noteworthy Accomplishments: As of November 1, 1996, the Department implemented an interface program that allowed it to post revenue transactions on the Michigan Administrative Information Network (MAIN) to the appropriate revenue account one day after collection. The same interface program also provides daily feedback on branch office overages/shortages for immediate follow-up.

Prior to November 1, 1996, Department revenues were initially recorded in MAIN as undistributed receipts. The distribution to the appropriate revenue account was made 20 days after the month of collection by keyed entries. The new interface program provides a more timely and reliable method of distributing the Department revenue collections.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the cash receipts operations processes and related records of the Department of State. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included an examination of the Department's records and activities covering the period October 1, 1996 through August 31, 1998. To accomplish our audit objectives, we reviewed management plans and Department policies and procedures. We obtained an understanding of the internal control structure for the Department's cash receipts operations and recording of revenue.

We observed daily activities and interviewed staff responsible for opening mail and for recording and depositing cash receipts.

We visited 11 branch offices having cash collection and processing responsibilities. We interviewed branch office staff and observed daily operations to identify the mechanism used and procedures in place for collecting, handling, depositing, and recording cash receipts. We tested branch office transactions to determine whether the Department charged the proper fees.

We reviewed the Department's internal control structure to determine if revenue was properly recorded in MAIN.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our report contains 3 findings and recommendations. The Department agrees with the findings and will comply with 1 recommendation. However, the Department informed us that it cannot comply with 2 of the recommendations because of limited budget resources.

The Department had complied with 10 of the 11 recommendations included in our prior audit of Receipts Operations, the Single Audit^{*}, and our audit of the Driver Licensing and Vehicle Registration Processes. We repeated 1 prior audit recommendation in this report.