



**Audit of the Department of Motor
Vehicles Driver Education Program Fund
for Fiscal Years 2008 - 2010**

September 4, 2013

Audit Team:

Hussein Aden, Senior Financial Auditor

A Report by the Office of the District of Columbia Auditor
Yolanda Branche, District of Columbia Auditor

Table of Contents

Acknowledgements	2
Background.....	3
Objectives, Scope and Methodology	4
Audit Results	5
1. Fiscal Year 2008 through 2010 Expenditures Processed Against Driver Education Fund Were in Compliance with DC Law	5
2. DMV Did Not Reconcile the Number of Permits Issued With the Revenue Deposited to the Fund	6
Conclusion	8
Agency Comments.....	9
Auditor's Response to Agency Comments.....	10

Acknowledgements

For their time, information, insight, and cooperation during the audit process, we want to thank the staff of the District of Columbia Department of Motor Vehicles (DC DMV) including: Lucinda M. Babers, Director; Kimberly L. Borges, Agency Fiscal Officer; and Gabriel Robinson, Integrity Officer.

Background

Effective April 3, 1982, DC Code § 50-1405.01 mandated the Driver Education Program Fund (Fund) to be used to offer the District of Columbia Department of Motor Vehicles (DC DMV)-approved driver education programs.¹ Pursuant to the law, five dollars of the fee received for each motor vehicle operator's permit was to be deposited into the Fund and used by a District of Columbia agency, including the DC DMV, to offer driver education programs approved by DC DMV.

An agency other than DC DMV seeking to use monies from the Fund was required to apply to DC DMV for approval. All revenues deposited to the Fund were not to lapse but carry over from year to year for the purposes of providing driver education programs.

In fiscal year (FY) 2009, the "Fiscal Year 2009 Balanced Budget Support Congressional Review Emergency Amendment Act of 2009" authorized the transfer of \$741,564 from the Fund to the District's general fund in FY 2009 and authorized DC DMV to use monies in the Fund for DC DMV operating expenses.

The Driver Education Program Fund was repealed in 2011. During FY 2012, the balance of the Fund was transferred to the general fund.

Figure 1 presents the revenues deposited to and expenditures/withdrawals from the Fund for the audit period of FY 2008 to 2010. All deposits to and expenditures/withdrawals from the Fund balances were carried over from year to year as required.

Figure 1
Driver Education Program Fund
October 1, 2007 to September 30, 2010

	FY 2008	FY 2009	FY 2010
Beginning Fund Balance	\$991,563.79	\$1,578,849.20	\$1,239,714.88
Revenue	\$608,536.88	\$402,429.47	\$544,423.75
Expenditures/Withdrawals	\$21,251.47	\$741,563.79	\$919,697.77
Ending Fund Balance	\$1,578,849.20	\$1,239,714.88	\$864,440.86

Source: District System of Accounts and Records

¹ DC Code §50-1405.1 (the Driver Education Program Fund) was repealed by Sec. 9104 of the "Fiscal Year 2012 Budget Support Act of 2011", effective September 14, 2011 (D.C. Law 19-21).

Objectives, Scope and Methodology

Our audit objective was to determine whether District of Columbia Department of Motor Vehicles (DC DMV) properly maintained an accounting of revenues to and expenditures from the Fund. Specifically, we sought to determine whether DC DMV:

- Fully accounted for revenues collected for the Fund and carried over unexpended Fund balances into successive years, as required; and
- Expended monies from the Fund for the purpose proved for in the law.

The audit covered the District's DMV's Driving Education Program Fund financial activities for the period of October 1, 2007 through September 30, 2010.

In conducting the audit, the audit team reviewed relevant DC Code provisions, motor vehicle operator's permit fee receipts, Fund deposit receipts, and relevant documents from the District's System of Accounts and Records (SOAR). We also interviewed relevant DC DMV officials.

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

Audit Results

1. Fiscal Year 2008 through 2010 Expenditures Processed Against Driver Education Fund Were in Compliance with DC Law

Five dollars of the fee received for each motor vehicle operator's permit was to be deposited into the Fund and used by a District of Columbia agency, including the District of Columbia Department of Motor Vehicles (DC DMV), to offer driver education programs approved by DC DMV. An agency other than DC DMV seeking to use monies from the Fund was required to apply to DC DMV for approval.

During FY 2008, the only expenditure from the Fund was for \$21,251.47 for the printing and distribution of 5,000 brochures entitled, "Teen Driver: A Family Guide to Teen Driver Safety." This was targeted toward District youth and distributed to youth during the 2008 Summer Youth Employment Program. Our review found that this expenditure was in compliance with the law in effect at the time and we were able to reconcile the \$21,251.47 to individual expense vouchers and SOAR.

In FY 2009, \$741,564 was transferred from the Fund to the District's general fund as required by the "Fiscal Year 2009 Balanced Budget Support Congressional Review Emergency Amendment Act of 2009." We were able to verify the transfer of \$741,564 within SOAR.

In FY 2010, DC DMV processed expense vouchers totaling \$919,697.77 against the Fund. The expenditures totaling \$919,697.77 were authorized by the "Fiscal Year 2009 Balanced Budget Support Congressional Review Emergency Amendment Act of 2009," which permitted the use of monies in the Fund for DC DMV operating expenses. We were able to reconcile the \$919,697.77 in expenditures to individual expense vouchers and to SOAR.

The "Fiscal Year 2012 Budget Support Act of 2011" repealed the Driver Education Program Fund. Subsequent to the scope of our audit, during FY 2012, the balance of the Fund was transferred to the general fund. We were able to verify through SOAR the transfer of the \$864,440.86 Fund balance to the general fund.

2. DMV Did Not Reconcile the Number of Permits Issued With the Revenue Deposited to the Fund

The District of Columbia Office of the Chief Financial Officer Policy and Procedure Manual,² Section 10154005, requires that all financial transactions be recorded in a manner that prevents or otherwise minimizes the risk of producing inaccurate, false or misleading information. Also, the policy requires that all transactions must be timely and accurately recorded. Additionally, the related policy and procedure 10203000.G requires that all amounts recorded for transaction are accurate and periodically reviewed for impairment in values.

The Auditor found that DC DMV did not reconcile the total revenue deposited into the Fund with the total number of operator permits issued and the resulting fees. As presented in Figure 2, during FY 2008 through FY 2010, DC DMV indicated that 225,176 new or renewal operator permits were issued. This should have resulted in a Fund revenue total of \$1,125,880. Our review, however, found the amount recorded in SOAR was overstated by \$429,510.10 as the balance in the fund was \$1,555,390.10.

Figure 2

FY	Driver License (DL) Count	Driver's Education Program \$5 Fund Fee x DL Count	Dollar Amount of Funds Recorded in SOAR	Overstated (Understated)
FY2008	87,672	\$438,360.00	\$608,536.88	\$170,176.88
FY2009	72,707	\$363,535.00	\$402,429.47	\$38,894.47
FY2010	64,797	\$323,985.00	\$544,423.75	\$220,438.75
TOTAL	225,176	\$1,125,880.00	\$1,555,390.10	\$429,510.10

Source: SOAR/CFOSOLVE/DMV

According to the DC DMV Agency Fiscal Officer and Revenue Officer, DC DMV's finance office performs daily revenue deposit reconciliation. DC DMV, however, never specifically conducted quarterly or annual reconciliations between the numbers of operator permits issued against the revenues deposited to the driver education fund. As a result, DC DMV did not ensure that the Fund was not under or over stated and that fees collected for other purposes such as adjudication fees or tag fees were not erroneously deposited into the Fund.

² District of Columbia Office of the Chief Financial Policy and Procedure Manual, Volume I Section 10154005.00 and 10203000.G.

Recommendation:

1. The Office of the Chief Financial Officer's, Chief Financial Officer establish internal controls that include written policies and procedures to ensure periodic and timely reconciliation of specific fee charges with the dollar amount recorded in SOAR to ensure that DC DMV revenue is accurately recorded.

Conclusion

The Driver Education Program Fund (FUND) was established in 1982 to offer driver education programs approved by the District of Columbia Department of Motor Vehicles (DMV). The objectives of our audit were to determine whether DMV accounted for revenues collected for the Fund, carried over unexpended Fund balances, as required and expended monies from the Fund for the purposes provided in the law. We were able to confirm all deposits to and expenditures from the Fund and validate that unexpended Fund balances were carried over as required. We also found that expenditures processed against the Fund were in compliance with DC Law. The Driver Education Program Fund was repealed in Fiscal Year 2011, and we confirmed that the \$864,440.86 balance in the Fund was transferred to the general fund.

Our review found however that the Office of the Chief Financial Officer did not reconcile the Fund on an annual basis, resulting in an overstatement of the Fund. We recommended that the Office of the Chief Financial Officer (OCFO) establish policies and procedures to ensure that periodic reconciliations of specific fee charges are accurately recorded, to which the OCFO concurred.

Sincerely,



for: Yolanda Branche
District of Columbia Auditor

Agency Comments

On August 9, 2013, the Office of the District of Columbia Auditor submitted the draft report titled, “audit of the Department of Motor Vehicles Driver Education Program Fund for Fiscal Years 2008-2010” for review and comment to the Department of Motor Vehicles (DMV).

The Auditor received written comments from the DMV on August 23, 2013. We are pleased to learn that DMV concurred with our findings and recommendations. The DMV response is included with this report.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF MOTOR VEHICLES

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Office of the Director

MEMORANDUM

Transmitted by E-Mail

TO: Yolanda Branche
District of Columbia Auditor

FROM: Lucinda M. Babers *Lucinda M. Babers*
Director

DATE: August 23, 2013

SUBJECT: Response to Draft Report, "Audit of the Department of Motor Vehicles Driver Education Program Fund for Fiscal Years 2008-2010"

This memo responds to your draft report dated August 9, 2013. Since the recommendation is related to the Office of the Chief Financial Officer (OCFO), I forwarded to them for a response, which is enclosed.

Please contact me if you require further information. I can be reached at 202-727-2200 or Lucinda.Babers@dc.gov.

Enclosure

- OCFO Memo

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER**

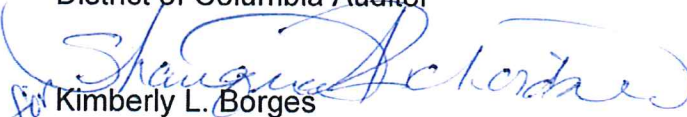


Government Services Cluster

MEMORANDUM

TO: Lucinda Babers
Director, Department of Motor Vehicles

Yolanda Branche
District of Columbia Auditor

FROM: 
Kimberly L. Borges
Agency Fiscal Officer
Department of Motor Vehicles

DATE: August 23, 2013

SUBJECT: Audit of the Department of Motor Vehicles Driver Educations Program Fund for
Fiscal Years 2008 - 2010

The Office of the Chief Financial Officer for the Department of Motor Vehicles has already begun to explore a monthly reconciliation tool to address the stated finding. We will work closely with the DMV program staff to determine what avenues will work most effectively. There are currently two core systems with which SOAR will need to reconcile: Destiny and eTims. As measures are being developed comprehensive policies and procedures will be written. Our goal is to have all measures in place and operational within Fiscal Year 2014.

cc: Ulysses Glen Jr., Budget Director
Alissa Waters, Senior Management Analyst

Auditor's Response to Agency Comments

The Auditor appreciates the comments provided by the Department of Motor Vehicles. We are pleased to learn since the completion of the audit, DMV has taken positive steps towards implementing the finding and recommendation presented in the report.