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**Audit Report of the
 Nebraska Motor Vehicle Industry Licensing Board
 July 1, 2001 through June 30, 2002**

Report Highlights

Issued November 19, 2002

**Comments and
 Recommendations**

- Excessive Fund Balance
- Workshop Expenses
- Certificate of Title Fees
- Unreasonable Expense Reimbursements
- Internal Controls - Capital Assets
- Leave Not Properly Balanced at Year End
- Untimely Deposits to the State Treasurer

The Nebraska Motor Vehicle Industry Licensing Board has been in existence since 1957. Members of the Board include the Director of the Department of Motor Vehicles, who serves as chairperson, and nine members appointed by the Governor. Members serve three-year terms. The Board's duties relate to the activities of the manufacture, distribution, and sale of automobiles, motorcycles, trailers, and mobile homes. The Board exercises its responsibilities through the issuance, denial, supervision, or revocation of the following licenses: motor vehicle dealers – new and used, salespersons, manufacturers, factory branches, factory representatives, distributors, distributors' representatives, motorcycle dealers, motor vehicle auction dealers, wreckers and salvage dealers, finance companies, supplemental motor vehicle dealers, and trailer dealers. The Board also controls the distribution of dealer license plates by means of a statutory formula.

Our letter included seven Comments and Recommendations relating to internal controls and compliance with State laws. Specific areas of concern included:

❑ The fund balance of the Board has increased every fiscal year since the fiscal year ending June 30, 1998 (see graph below). The June 30, 2002 fund balance of the Board was \$878,529; approximately 1.74 times the total fiscal year 2002 expenditures. The Board did not reduce license fees in fiscal years 2001 or 2002. However, in fiscal year 2003, the fund was reduced \$500,000 by legislative action.

❑ Some workshop meal expenses were not within the Federal GSA per diem rate for Nebraska of \$30. Lodging costs were not within the Federal GSA per diem rate for Nebraska of \$55. Seven of thirteen participants were less than 60 miles from their headquarter city; however, \$979 in lodging expenses were paid.

❑ The Board should have received \$0.10 from the Department of Motor Vehicles for every certificate of title issued. During fiscal year ending June 30, 2002, the Board received a total of \$59,990. The Board did not have adequate procedures to ensure all money due the Board was collected.

❑ Conference expense reimbursements included five breakfasts on days when a continental breakfast was provided, for a total of \$79, and one lunch for \$9, on a day that lunch was provided. Also, a \$54 reimbursement was made for one day of meals which exceeded the Federal GSA per diem rate for the location of the conference of \$42. One employee was reimbursed for a room upgrade totaling \$150 for five days. Mileage expense reimbursements included commuting mileage from Omaha (residence) to Lincoln (headquarter city), for a trip to Scottsbluff; an excess reimbursement of \$20.

❑ The Board did not have an adequate segregation of duties over capital assets. The same person maintained the inventory list, added items to the inventory list, had the ability to delete items from the inventory list, and participated in the annual physical inventory. The Board required two individuals to complete the physical inventory; however, the procedures included reviewing the list to ensure all items on the list were accounted for and not to ensure all capital assets were included on the list.

❑ The sick leave balance of one of three employees tested with large sick leave balances was not properly balanced and lapsed as of December 31, 2001. The employee's sick leave balance was overstated by 278 hours at December 31, 2001.

❑ Four of five general documents tested were not deposited within the time frame set in State Statute. The deposits ranged from one to three days late.

We have detailed our findings in the Comments and Recommendations section of the report, which can be accessed at www.auditors.state.ne.us.

