



# Washington State Auditor's Office

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## Accountability Audit Report

# Department of Licensing

For the period July 1, 2013 through June 30, 2014

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## Washington State Auditor's Office

June 25, 2015

Pat Kohler, Director  
Department of Licensing

### Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Agency operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Agency's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

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## AUDIT SUMMARY

### Results in brief

In most areas we audited, Agency operations complied with applicable requirements and provided adequate safeguarding of public resources. The Agency also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we noted certain matters that we communicated to Agency management in a letter dated June 18, 2015, related to cash receipting. We appreciate the Agency's commitment to resolving those matters.

### About the audit

This report contains the results of our independent accountability audit of the Department of Licensing from July 1, 2013 through June 30, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Agency's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Vehicle Field System
- Revenue distribution
- Cash receipting (Licensing Service Offices and subagents)
- Prorate and fuel tax
- Payroll
- Travel
- Disbursements

## RELATED REPORTS

### **Financial**

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at [www.ofm.wa.gov](http://www.ofm.wa.gov).

A summary of the audit for the period ending June 30, 2014, can be found at <http://www.sao.wa.gov/resources/Pages/AnnualReports.aspx>.

### **Federal programs**

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

## INFORMATION ABOUT THE AGENCY

The Department of Licensing touches the lives of nearly every Washington citizen. The Agency issues more than five million driver licenses and identification cards and licenses more than six million vehicles. The Agency provides 24-7 driver and vehicle information to law enforcement agencies across the country.

The Agency is not a typical, “DMV,” in that it also licenses 44 professions and businesses and collects more than \$2.7 billion a year in revenue that funds the state’s transportation network and the Washington State Patrol. The Agency’s role has changed over the years as the driver license and ID card have evolved to become primary identification documents and initiatives have been introduced nationwide to make these documents more secure. The Agency has initiated a variety of efforts over the past several years to upgrade the security of Washington licenses and ID cards to combat fraud and identity theft and to ensure only qualified applicants receive a document.

The Agency has 1,230 employees that reside in six buildings in Olympia and Tumwater and 56 Licensing Services Offices throughout the state. The Agency is funded by a variety of sources from both the Transportation and Omnibus (Operating) budgets. The Agency’s enacted 2013-2015 biennial budget is \$291.7 million.

Approximately 85 percent of the Agency’s budget comes from transportation funds that support motor vehicle registration and driver licensing activities. The balance of Agency funding is from dedicated accounts that support the licensing and regulation of 44 professions. Less than 1 percent of the Agency’s budget is from the General Fund, which supports vessel licensing and the firearms database.

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*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Department of Licensing at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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