



Office of the Washington State Auditor  
Pat McCarthy

# Accountability Audit Report

## Department of Licensing

For the period July 1, 2019 through June 30, 2021

*Published July 25, 2022*

Report No. 1030912



Find out what's new at SAO  
by scanning this code with  
your smartphone's camera



## Office of the Washington State Auditor Pat McCarthy

July 25, 2022

Teresa Berntsen  
Executive Director  
Department of Licensing  
Olympia, Washington

### Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor 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 Department operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Department's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

### *Americans with Disabilities*

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

Audit Results.....	4
Related Reports.....	6
Information about the Department.....	7
About the State Auditor's Office.....	8

## AUDIT RESULTS

### Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Department operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

However, we noted certain matters related to Cost Allocation, Small and Attractive Assets, and Monitoring of Agents and Subagents that we communicated to Department management and the Executive Director in a letter dated July 19, 2022. We appreciate the Department's commitment to resolving those matters.

Additionally, as noted under the Related Reports – Special Investigations section of this report, certain matters were examined and reported as part of a separate engagement.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

### About the audit

This report contains the results of our independent accountability audit of the Department of Licensing from July 1, 2019 through June 30, 2021.

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.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the Washington State Auditor to examine the financial affairs of all state agencies. Our audit involved obtaining evidence about the Department's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended June 30, 2021 and 2020, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Cash receipting – timeliness and completeness of deposits, voids and adjustments at license service offices
- Compliance with service contracts – agents and subagents
- Payroll – gross wages and overtime
- Accounts payable – purchase cards
- Revenue posting – professional license, motor vehicle license and Parks Discover Pass sales
- Firearms license fees and permits – compliance with the application of fees
- Revenue refunds
- Small and attractive assets

## 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 Annual Comprehensive Financial Report (ACFR). The ACFR 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).

### 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.

### Special investigations

The State Auditor's Office issued on a misappropriation of public funds at the Department. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

### Other reports

We issued a report on agreed-upon procedures performed at the Department. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

## INFORMATION ABOUT THE DEPARTMENT

The Department touches the lives of nearly every Washington resident. The Department issues more than six million driver licenses and identification cards and licenses more than eight million vehicles and vessels. The Department is not your typical “DMV” in that it also licenses and regulates more than 300,000 businesses and individuals across 36 professions and collects more than \$3.1 billion per fiscal year in fees and fuel tax that funds the state’s transportation network.

The Department operates with 1,450 employees that work in five buildings in Olympia and Tumwater and 55 Licensing Services Offices throughout the state. In addition, the Department oversees 180 county auditor offices and sub-agents. The DOL has a 2019-21 biennial budget of \$425.4 million.

The Department is 85% funded by the Transportation budget and 15% by Omnibus funds that mostly come from dedicated professional licensing accounts. The Department’s Purpose Statement is to “Help every Washington resident live, work, drive, and thrive.”

### Contact information related to this report

Address:	Department of Licensing MS 48002 P.O. Box 9020 Olympia, WA 98507-9020
Contact:	Patricia Kecht, Integrated Auditor
Telephone:	(360) 902-0137
Website:	<a href="http://www.dol.wa.gov/">http://www.dol.wa.gov/</a>

*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 Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

### Stay connected at [sao.wa.gov](http://sao.wa.gov)

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

### Other ways to stay in touch

- Main telephone:  
(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)