

**MOTOR VEHICLE DEALER BOARD  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE TWO-YEAR PERIOD ENDED  
JUNE 30, 2001**



## **AUDIT SUMMARY**

Our audit of the Motor Vehicle Dealer Board for the two-year period ended June 30, 2001, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in internal controls; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.

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## AGENCY BACKGROUND

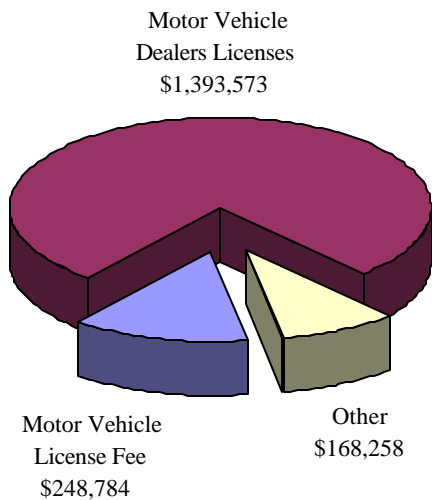
The Motor Vehicle Dealer Board regulates motor vehicle dealers and salespersons. The Dealer Board consists of 16 dealers, one consumer, the Commissioners of the Departments of Agriculture and Consumer Services and Motor Vehicles. The Governor appoints the 16 dealer members to staggered terms. Dealer Board members represent franchised and licensed dealers, the rental and salvage industries, and consumer interests.

The General Assembly exempted the Dealer Board from state procurement and personnel laws. The Department of Motor Vehicles performs many of the Dealer Board's administrative tasks including all of their accounting.

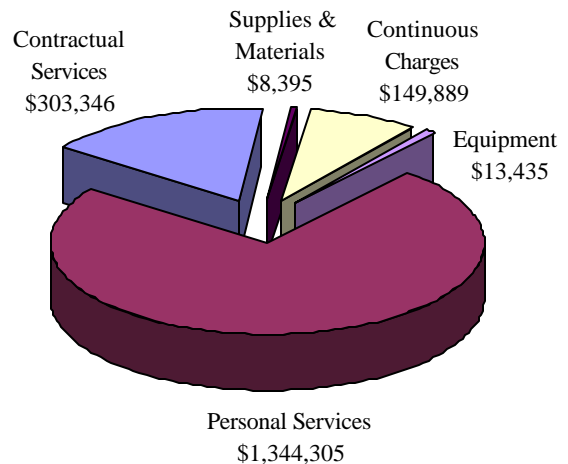
## Operating Fund

Services provided by the Dealer Board include approval and issuance of dealer certificates, licenses, and dealer plates. The Dealer Board also provides training and performs field inspections of motor vehicle dealers' business locations to ensure compliance with established regulations. The Dealer Board provides services with 13 full-time office staff including the director, 6 part-time office staff, and 12 full-time field representatives. The Department of Motor Vehicles provides all accounting, information systems, payroll, and personnel services to the Dealer Board and receives a set fee for these services. The Dealer Board collected \$1,810,615 and \$1,946,124 in revenues in fiscal years 2001 and 2000, respectively. The Dealer Board spent \$1,828,774 and \$1,705,396 to provide these services in fiscal years 2001 and 2000, respectively. The charts below and on the following page present a breakdown of operating revenues and expenditures for the two fiscal years. The operating fund has accumulated a fund balance of \$1,376,024 as of June 30, 2001.

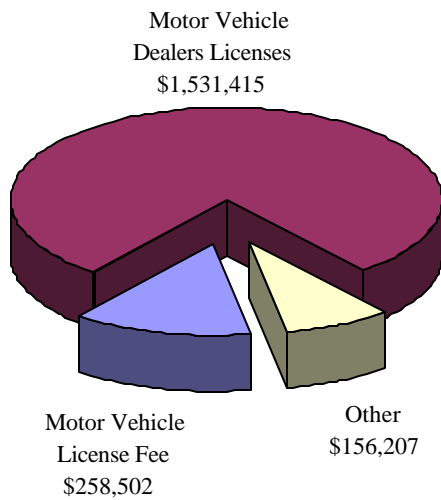
### **2001 OPERATING REVENUES**



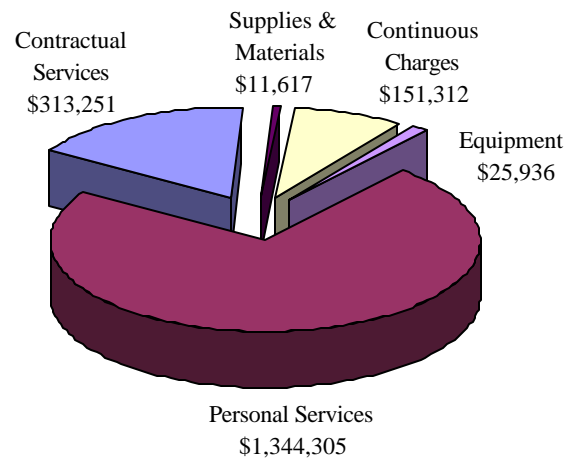
### **2001 OPERATING EXPENDITURES**



## 2000 OPERATING REVENUES



## 2000 OPERATING EXPENDITURES



### Transaction Recovery Fund

The Transaction Recovery Fund compensates consumers who have judgements against licensed dealers or salespersons for violations of regulations or fraudulent activity related to a vehicle transaction. The fund consists of fees paid by licensed dealers. Each approved dealer must pay \$250 to the fund for the first three years of operation. The Board has eliminated the \$100 renewal fee charged for each year thereafter. The Transaction Recovery Fund had revenue collections totaling \$901,429, and paid 18 claims totaling \$142,582 for the two-year period ending June 30, 2001. The balance in the fund has reached \$4.1 million at June 30, 2001.

November 16, 2001

The Honorable James S. Gilmore, III  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Motor Vehicle Dealer Board** for the two-year period ended June 30, 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Board's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Board's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Expenditures  
Revenues  
Fixed Assets

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Board's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Board's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

#### Audit Conclusions

We found that the Board properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Board records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

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MOTOR VEHICLE DEALER BOARD  
Richmond, Virginia

Ab Quillian, Chairperson

Clyde H. King, Jr., Vice Chairperson

Thomas A. Barton	Richard C. D. Hunt, II
Margo T. Clarke	Pete Iaracci
J. Carlton Courter, III	Joel W. Lyles
Frank L. Cowles, Jr.	Larry Matthews, Jr.
Bennie Cupp	Geoffrey Ottaway
Bobby Joe Dotson	Max Pearson
L. Steve Farmer	Karen C. Radley

Leo B. Trenor

Bruce Gould, Executive Director