

7406.0475 AUDIT.

Subpart 1. **Biennial audit.** At the request of the commissioner, a deputy registrar shall make available for audit all motor vehicle fee and tax records for all transactions occurring during the state's biennial fiscal cycle for each office location of a deputy registrar. If the commissioner has reasonable cause to believe another audit is necessary in addition to the biennial audit, the commissioner may order that another audit be conducted at cost to the deputy registrar to address areas of the deputy registrar's biennial audit in which the commissioner was not able to determine compliance.

Subp. 2. **Scope of audit.** The audit must cover the motor vehicle transaction fees and taxes collected by the deputy registrar for the previous two years. The audit report must include:

- A. the auditor's opinion as described in subpart 3;
- B. a report on internal controls as described in subpart 4;
- C. a verification of imprest cash as required by subpart 5;
- D. any material weaknesses as described in subpart 6;
- E. a response to the auditor's report by the deputy registrar; and
- F. other information as noted by the auditor.

Subp. 3. **Auditor's opinion; compliance and corrective action; administrative sanctions.** The auditor's opinion must describe areas of compliance, noncompliance, and corrective action and show a timetable for corrective action. Failure to undertake corrective action or to meet timelines is cause for subsequent administrative action, including suspension or revocation.

Subp. 4. **Internal controls.** The internal controls are the internal procedures of the deputy registrar designed to ensure compliance with the reporting and depositing requirements of this chapter. The audit of internal controls must assess whether:

- A. transactions have been properly recorded and accounted for;
- B. reliable state reports have been prepared; and
- C. control measures are in place that assure that accountability over all motor vehicle fees and taxes is maintained by the deputy registrar.

Subp. 5. **Verify imprest cash.** The audit must include a verification of the proper use of imprest cash as specified in part 7406.0500, subpart 7, and report any discrepancies.

Subp. 6. **Material weaknesses.** The audit report must state whether any material weaknesses were detected. Material weaknesses include:

- A. inadequate safeguarding of state inventory, fees and taxes, or other state assets;

- B. repeated overages or shortages;
- C. delinquent fees, taxes, or reports due to the state;
- D. failure to maintain proper reports and records;
- E. material underreporting or overreporting of transactions or motor vehicle fees or taxes;
- F. failure to report the loss of inventory, motor vehicle fees, or taxes; and
- G. inattention to or lack of correction to previously reported material weaknesses.

Statutory Authority: *MS s 14.06; 168.33; 299A.01*

History: *29 SR 97*

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