

Audit Highlights



Highlights of Legislative Auditor report on the Department of Motor Vehicles issued on February 2, 2012. Report # LA12-11.

Background

The Department of Motor Vehicles (DMV) is a multi-functional agency with responsibilities that include the collection and timely distribution of certain Highway Fund revenue and improving traffic safety through licensing, registration, monitoring and intervention programs. The Department is comprised of eight divisions: Director's Office, Administrative Services, Field Services, Central Services and Records, Compliance Enforcement, Motor Carrier, Management Services and Programs, and Motor Vehicle Information Technology.

Total revenues collected by the Department during fiscal year 2011 exceeded \$1 billion which is distributed to the federal government, State Highway Fund, local governments, State General Fund, and other recipients. The Department maintains 18 field offices statewide and has contracted with seven rural counties to perform certain DMV functions. The Department also offers access to certain services through alternate sources including its website and 27 kiosks located in DMV offices and partner locations statewide.

Purpose of Audit

The purpose of this audit was to determine whether sufficient controls are properly functioning over certain Department revenues and assets, and evaluate the reliability and adequacy of performance measures. The audit included a review of control activities over certain assets and revenues from July 1, 2009, to December 31, 2010, and prior fiscal years in some areas. Additionally, we reviewed performance measures for fiscal years 2008 to 2010.

Audit Recommendations

This audit report contains 16 recommendations to improve administrative controls. These recommendations are needed to account for registration decals; improve reconciliations; and enhance controls over driver licenses, DMV system access, and administrative citations. Furthermore, the Department should enhance its performance information.

The Department accepted the 16 recommendations.

Recommendation Status

The Department's 60-day plan for corrective action is due on April 26, 2012. In addition, the six-month report on the status of audit recommendations is due October 29, 2012.

Department of Motor Vehicles

Summary

The Department needs to improve its administration of controls over certain processes to ensure its revenues and assets are properly safeguarded and accounted for. We found the Department can improve its control procedures over vehicle registration decals and reconciliations of its internal records to the state accounting system. Additionally, improvements are needed to controls over the issuance of driver licenses and allowing access to the DMV information system. Enhancements in these areas will help reduce risks of loss, fraud, and abuse.

The Department should also enhance its performance management system to include more outcome oriented measures and better align its measures with programs and goals. Additionally, documentation supporting reported performance measures needs to be better maintained. These improvements should benefit the Department in evaluating the success of its programs.

Key Findings

Enhancements are needed to the Department's controls over vehicle registration decals to ensure they are properly accounted for and safeguarded. We found records used to account for decals were inaccurate and unreliable in 13 of 14 months tested and some decals could not be readily accounted for. Additionally, forecasts used to determine future decal needs were inaccurate and contributed to overproduction of decals. Department records indicated more than 1 million decals were overproduced at a cost of about \$250,000 for fiscal years 2008 through 2011. The Department can enhance its processes and related policies and procedures to increase accountability for decals and reduce the risk of overproduction and undetected decal loss. (page 6)

Improvements are needed to the reconciliations of the Department's internal accounting records to the state accounting system. Reconciliations were not accurate or complete with unreconciled balances as high as \$2.5 million and unsupported adjustments of more than \$1.3 million. Additionally, some reconciliations were not reviewed timely and procedures were not always sufficiently developed to support the reconciliation process. Although we identified no evidence of missing funds, improvements to the reconciliation process and procedures would enhance the Department's ability to ensure revenues are properly recorded and distributed. (page 11)

Improvements are needed to the controls over monitoring certain transactions in field offices. Specifically, controls over the review of driver license applications and supporting documentation need to be formalized to ensure the integrity of licenses issued. Additionally, controls need to be enhanced to ensure vehicle registration tax exemptions are only issued to qualified individuals. (page 14)

Criminal history background checks were not always completed before individuals were allowed to access and perform transactions in the DMV information system. Two of eight individuals we tested in county branch offices were granted access to the system by Department personnel without having a background check. Allowing access without verification of qualification could result in unqualified individuals accessing sensitive customer information. (page 18)

The Department's Motor Carrier Division has not assessed administrative fines timely on some motor carriers. As of December 31, 2010, the backlog of citations was more than 1,500 valued at an estimated \$600,000 in billable assessments. Improved timeliness in issuing assessments should result in increased probability of collections. (page 19)

The Department could enhance its performance information through better coordination and alignment of its strategic planning process. First, an increase in the number of outcome oriented measures would enhance the Department's ability to measure the success of its programs. Next, the Department could enhance its alignment of performance measures with key program activities and goals. Finally, it would benefit from consolidating pertinent strategic planning information into a single planning document. These steps should help management better measure the performance of its programs and determine whether its goals are being reached. (page 21)

Key performance measures reported in the Executive Budget were not reliable. We selected a sample of eight performance measures reported in the Department's Executive Budget. Our testing found that five of the eight measures lacked supporting documentation. The remaining three measures had an inaccurate description and were based on unsound methodologies. Performance measures must be reliable to ensure proper budgetary and policy decisions are made by Legislative and Department decision makers. (page 25)