

STATE OF CONNECTICUT

**AUDITORS' REPORT
DEPARTMENT OF MOTOR VEHICLES
FOR THE FISCAL YEARS ENDED JUNE 30, 1998 and 1999**

**AUDITORS OF PUBLIC ACCOUNTS
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January 10, 2001

**AUDITORS' REPORT
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We have made an examination of the financial records of the Department of Motor Vehicles for the fiscal years ended June 30, 1998 and 1999. This report thereon consists of the Comments, Condition of Records, Recommendations and Certification that follow.

Financial statement presentation and auditing are done on a Statewide Single Audit basis and include all State agencies. This audit has been limited to assessing the Department of Motor Vehicles' compliance with certain provisions of financial related laws, regulations and contracts, and evaluating the Department's internal control structure policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The role and responsibilities of the Department of Motor Vehicles are identified primarily under Title 14, Chapters 246 through 255 of the General Statutes. The Department's principal function is the licensing and registering of drivers, automobiles, dealers and repairers. The Department also administers, through a contractor, an auto emissions inspection program.

José O. Salinas served as Commissioner during the audited period.

Legislative Changes:

Notable legislative changes that took effect during the audited period are described below:

Public Act 97-236 – This Act made numerous changes to Department of Motor Vehicle laws, including provisions that restoration fees from license and registration suspensions be deposited to the Automobile Insurance Enforcement Fund.

Public Act 97-309 – This Act amended Section 13b-61 of the General Statutes providing for various fees collected by the Department to be deposited to the Special Transportation Fund instead of the General and Emissions Inspection Funds.

Public Act 98-95 – This Act amended Section 14-50, subsection (f), of the General Statutes, reducing the fees charged to the makers of checks returned to the Department as uncollectible. The new maximum fee is \$35 for checks in excess of \$200.

Public Act 98-152 – This Act amended Section 14-49 of the General Statutes and requires the refund of one-half of the registration fee when marker plates and the registration certificate are returned to the Department with at least one year remaining on the registration.

Public Act 98-215 – This Act amended various Sections of the General Statutes and provides for the seizure, impoundment, and forfeiture of an uninsured motor vehicle whose registration is cancelled for lack of insurance. Fees for the restoration of registrations were increased to \$450. Said Act established the Uninsured Motor Vehicle Forfeiture Revolving Account to account for the receipt and distribution of the proceeds from the sale of vehicles forfeited under the provisions of the law.

RÉSUMÉ OF OPERATIONS:

General Fund:

Department of Motor Vehicles General Fund cash receipts totaled \$12,829,402, \$946,018 and \$923,752 during the fiscal years ended June 30, 1997, 1998 and 1999, respectively. Federal and other restricted funds administered by the Department continued to be accounted for in the General Fund. The primary sources of such restricted funding were Federal funds provided under the State and Community Highway Safety Program (CFDA # 20.600).

General Fund revenue decreased substantially from prior years due to the passage of Public Act 97-309 (codified as subdivisions 7 through 14 of Section 13b-61, subsection (b)). This Act transferred revenue from the issuance of identification cards, emissions inspection late fees, safety plate fees and the

sale of commercial information from the General Fund to the Special Transportation Fund effective July 1, 1997.

General Fund expenditures amounted to \$839,597 and \$2,521,877 during the 1998 and 1999 fiscal years, respectively. The increase in expenditures during the 1999 fiscal year was attributable to \$1,617,563 of costs related to the Year 2000 compliance project. The balances of the expenditures in both years were from Federal restricted accounts.

Special Transportation Fund:

In accordance with Section 13b-61, subsection (b) of the General Statutes, the majority of the Department of Motor Vehicles' revenues are deposited to the Special Transportation Fund. The following schedule outlines the Department's deposits to the Special Transportation Fund, including the 1996-1997 fiscal year for comparative purposes:

	<u>Fiscal Year Ended June 30,</u>		
	<u>1997</u>	<u>1998</u>	<u>1999</u>
Registrations	\$ 152,325,108	\$ 152,113,561	\$ 151,911,662
Operator licenses	22,645,270	23,010,552	24,064,771
Inspection of motor vehicles	5,752,866	6,168,846	6,803,591
Certificates of title	18,364,625	18,898,871	19,504,618
License examinations	4,859,318	4,924,452	5,588,303
Late fees, fines and costs	4,525,079	4,807,446	5,446,209
Interstate carrier permits	3,681,380	3,729,465	3,732,795
Safety plate fees	-	2,534,321	2,680,672
Emissions late fees	-	5,862,430	5,376,200
Sale of commercial information	-	7,165,333	8,294,118
All others	3,220,697	11,065,196	10,716,717
	<u>\$ 215,374,343</u>	<u>\$ 240,280,473</u>	<u>\$ 244,119,656</u>

As mentioned above, Public Act 97-309 transferred certain revenues to the Special Transportation Fund from the General Fund. This accounted for the substantial increase in revenues during each year of the audited period when compared to the 1996-1997 fiscal year.

In accordance with the provisions of Section 13b-69, subsection (b) of the General Statutes, the Department of Motor Vehicles' annual budgeted appropriations and expenditures were funded from the Special Transportation Fund. A comparative summary of expenditures for the audited period, including the 1996-1997 fiscal year for comparison, follows:

	<u>Fiscal Year Ended June 30,</u>		
	<u>1997</u>	<u>1998</u>	<u>1999</u>
Personal Services	\$ 31,417,369	\$ 30,113,196	\$ 31,375,136
Other Expenses	12,309,427	12,629,959	12,691,187
Equipment	444,231	700,000	699,911

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Graduated licenses	142,955	176,516	194,359
Other	49,998	16,244	356,714
Total	<u>\$ 44,363,980</u>	<u>\$ 43,635,915</u>	<u>\$ 45,317,307</u>

Emissions Inspection Fund:

A vehicle inspection program, under Title 14, Chapter 246a of the General Statutes, requires that all motor vehicles registered in the State, except for those specifically exempt by law, be inspected for auto emissions. The statute also authorizes the Commissioner to enter into an agreement with an independent contractor to provide for the construction, equipping, maintenance and operation of inspection stations to provide emissions inspections.

Envirotest Systems, formerly a subsidiary of United Technologies, has conducted the program since its commencement. Our prior audit noted that the Department had begun incurring significantly higher charges to administer the program. A portion of those higher costs was attributable to an enhanced testing procedure, the implementation of which had been delayed. In May of 1998, the Department negotiated a contract amendment that included a settlement for the difference between the actual and anticipated procedures. In January of 1998, the vendor also began performing an enhanced test that was less stringent than the anticipated test.

The Department's Emissions Division was responsible for the regulatory functions of the program and for monitoring the contractor for contract compliance. The Emissions Inspection Fund accounts for the revenues and expenditures of the program.

The following summary shows revenues and expenditures of the Fund during the audited period, with the 1996-1997 fiscal year figures for comparative purposes:

	Fiscal Year Ended June 30,		
	<u>1997</u>	<u>1998</u>	<u>1999</u>
Revenue:			
Inspection fees	\$ 24,696,292	\$ 23,218,671	\$ 23,112,639
Investment income	422,569	522,413	251,932
Total Revenue	<u>25,118,861</u>	<u>23,741,084</u>	<u>23,364,571</u>
Expenditures:			
Personal services and Fringe Benefits	5,108,604	3,830,167	2,884,799
Outside professional services	15,235,286	20,422,290	21,209,704
All other expenditures	494,056	328,615	368,611
Total Expenditures	<u>20,837,946</u>	<u>24,581,072</u>	<u>24,463,114</u>
Excess of Revenue over Expenditures	4,280,915	(839,988)	(1,098,543)
Fund Balance at Beginning of Year	5,991,407	10,272,322	9,432,334
Fund Balance at End of Year	<u>\$ 10,272,322</u>	<u>\$ 9,432,334</u>	<u>\$ 8,333,791</u>

Revenue decreased in the 1997-1998 fiscal year as a result of the aforementioned Public Act 97-309. This Act moved emissions late fees from the Emissions Fund to the Special Transportation Fund.

The increase in expenditures during the 1997-1998 fiscal year was attributable to contractual increases in the emissions testing fees for the performance of safety inspections and the implementation of gas cap testing. Personal service expenditures decreased during the two years under review due to the transfer of positions from the Emissions Inspection Fund to the Special Transportation Fund.

Automobile Insurance Enforcement Fund:

Section 14-12i of the General Statutes established a special revenue fund in the 1995-1996 fiscal year to provide resources for administration of the State’s compulsory vehicle insurance requirements. Receipts, consisting of fees charged for restoration of suspended registrations and operator licenses, were \$238,300 and \$875,540 during the 1997-1998 and 1998-1999 fiscal years, respectively. Expenditures were \$14,456 and \$997,424 during the respective periods. Expenditures consisted primarily of salaries, fringe benefits and computer center charges. The increase in revenue and corresponding increase in expenditures resulted from the implementation of Public Act 97-236, discussed previously.

Other Receipts:

DMV utilizes the State’s Pending Receipts Fund to account for fees collected on behalf of other states under the International Registration Program, title security bonds in the form of cash and all other cash bonds. Total deposits were \$3,961,650 and \$4,196,289 during the fiscal years ended June 30, 1998 and 1999, respectively.

The Department of Motor Vehicles collected the following receipts that were credited to other State agencies. A comparative summary, per the Agency’s records, follows:

	Fiscal Year Ended June 30,		
	<u>1997</u>	<u>1998</u>	<u>1999</u>
Sales tax	\$ 48,040,498	\$ 50,056,277	\$ 51,809,566
Federal Clean Air Act fee	4,182,040	4,261,196	4,272,272
Boat registrations	4,219,394	4,447,941	4,578,762
Long Island Sound plates	586,711	547,425	577,970
Motorcycle rider education	110,982	117,568	125,157
Other miscellaneous receipts	-	50,670	55,275
	<u>\$ 57,139,625</u>	<u>\$ 59,481,077</u>	<u>\$ 61,418,902</u>

State Capital Projects:

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Expenditures for State capital projects totaled \$567,860 during the audited period. Most of the funds were expended for branch office capital improvements. The projects were financed from Capital Projects Funds and administered by the Department of Public Works.

PROGRAM EVALUATION:

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to conduct a program evaluation as part of their routine audits of public and quasi-public agencies. In this engagement, we selected the area of insurance compliance as mandated by Sections 14-12g through 14-12n of the General Statutes. The purpose of our review was to determine if DMV has the necessary procedures and controls in place to carry out the intent of the current forfeiture law.

As mentioned previously, Public Act 98-215 (effective October 1, 1998) amended various Sections of the General Statutes and provides in part for the seizure, impoundment, and forfeiture of an uninsured motor vehicle whose registration is cancelled for lack of insurance. Fees for the restoration of registrations were increased to \$450. Said Act also established the Uninsured Motor Vehicle Forfeiture Revolving Account to account for the receipt and distribution of the proceeds from the sale of vehicles forfeited under the provisions of the law. Public Act 99-181 subsequently modified these provisions by requiring the deposit of restoration fees to the Special Transportation Fund.

In accordance with Section 14-12h, subsection (d) of the General Statutes, vehicles must be impounded for more than 45 days in order to be subject to forfeiture. Said Subsection also provides that the owners of such impounded vehicles shall not be eligible to regain possession of the vehicle until certain requirements are met. These requirements include the payment of fines and the production of evidence of insurance. At the time of our review, there had not been any instances in which impounded vehicles were forfeited.

A review of the 34 reports of impounded vehicles on hand found that 27 of them did not indicate the date of the confiscation. In addition, DMV staff informed us that no action is taken when the reports are received. At the same time, it is the responsibility of the Office of the Chief State's Attorney to initiate proceedings resulting in forfeiture. The omission of the pertinent dates and the failure to transmit these reports to the Office of the Chief State's Attorney prevents the proper assessment of the applicability of the statutes.

In all but four of the reports reviewed, private firms towed the impounded vehicles to their own facilities. According to DMV staff, there is a question as to the legality of these private towing firms holding vehicles for which a mechanic's lien does not exist. Therefore, these firms are required to permit the removal of the vehicles if the towing fees are paid. Contrary to Section 14-12h, subsection (d), these vehicles can thus be released to the owners without meeting the necessary requirements. The likelihood of a vehicle remaining impounded for more than 45 days is drastically reduced. The threat of the forfeiture of the vehicles appears to be the primary incentive for the owner to resolve the

situation in a timely manner. Permitting owners to recover their vehicles without fulfilling the other requirements weakens the threat of forfeiture.

In accordance with maximum towing and storage rates published by DMV, a vehicle that remains impounded for 45 days could accrue over \$900 in charges. Section 14-12m provides for a minimum of two additional weeks for proceedings to take place in order for the courts to approve the forfeiture. At that point, total charges could easily exceed \$1,100. Since these charges are to be paid prior to the State sharing in any proceeds, the remaining balance from an auction sale is not likely to be significant.

The issues discussed above seem to make the intended process difficult to administer. DMV officials informed us that they had resisted the proposed legislation for some of these very same reasons. However, DMV could not provide supporting documentation to us. After reviewing this area, it seems that DMV objections may have been justified. DMV officials should evaluate the need for changes in order to permit the process to work as effectively as possible.

In conclusion, we present the following recommendation to the Department:

Criteria: Sections 14-12g through 14-12n of the General Statutes require the maintenance of insurance on motor vehicles. These laws establish fines, permit the cancellation of registrations of uninsured vehicles, and provide for the impoundment of such vehicles. Impounded vehicles are not to be released until the owner can show proof of a personal appearance at DMV and satisfaction of various requirements. Vehicles impounded for more than 45 days can be forfeited, with auction proceeds going to the State.

Condition: Most of the reports available at DMV failed to indicate the date of impoundment, preventing the determination of exactly when the 45 days were exceeded. DMV staff stated that nothing is done with these reports after receipt, preventing notification to the Office of the Chief State's Attorney for forfeiture consideration. The approximation of charges associated with the impoundment of a vehicle for a period of time long enough to permit forfeiture could well exceed \$1,000, leaving an insignificant amount for the State. The legal authority of towing firms to hold vehicles for which towing charges are paid is questionable, permitting release of vehicles upon payment of the accrued charges.

Effect: The intended result of the Statutes is apparently not being achieved.

Cause: We were unable to determine a specific cause for this condition.

Recommendation: The Department of Motor Vehicles should attempt to improve its procedures relating to the impoundment of uninsured vehicles as

authorized by Section 14-12g through 14-12n of the General Statutes, and consider proposing legislation that will either permit the intended results to be obtained, or cause statutory changes that will increase the effectiveness of the laws. (See Recommendation 1.)

Agency Response:

“The Department accepts the auditor’s recommendation with respect to the need for statutory changes concerning this program mandate (Public Act 98-215). Contacts with the Office of the Chief State’s Attorney did not reveal a single case of a prosecutor attempting to institute an action for the forfeiture and sale of a motor vehicle due to the absence of insurance. Similar, informal contacts with municipal police officials indicate that only a small number of motor vehicles have been seized under the program. Many of the 34 reports received by DMV, as cited by the auditor, most probably relate to motor vehicles towed for other reasons, such as abandonment.

As a result of subsequent action by the General Assembly in 1999

(Public Act 99-232), the owner of a vehicle that has been seized may recover the vehicle if such owner presents proof of insurance and pays the applicable fees. Motor vehicles that are seized and are not recovered by their owners tend to be those with small market value and, as pointed out by the auditor, are not likely to be sold for more than the accrued towing and storage charges – which tends to negate the apparent purpose of the legislation.

DMV believes that the forfeiture program should be repealed, and that the enforcement action for uninsured vehicles should be limited to the seizure of the marker plates, as per Section 14-12h, subsection (b). This matter will be covered in DMV’s legislative proposals for the next legislative session.”

CONDITION OF RECORDS

Areas in need of improvement, along with discussions concerning improvements in managerial control, are presented in this section of the report.

Collection of Surcharges and Bonds for Overweight Commercial Vehicles:

Criteria: Section 13b-70 of the General Statutes imposes an additional surcharge on motor vehicle related fines, penalties and other charges. The surcharge equals fifty percent of the amount of the charge imposed.

Section 14-267a, subsection (f)(3) of the General Statutes, requires out-of-state owners or lessees of commercial vehicles that have been found to be more than fifteen percent overweight to submit a \$2,000 bond to the Department. This bond is forfeited to the State upon the second conviction within a year. In-state owners or lessees whose vehicles are found to be in violation of the statute are fined \$2,000 upon a second conviction.

Section 14-295 of the General Statutes provides for the awarding of double or treble damages to parties injured as the result of reckless disregard for certain motor vehicle laws.

Condition: As noted in our prior audit, the Department has not yet implemented a process by which the necessary information could be obtained from the Judicial Department and evaluated for the purpose of assessing the bond requirements of Section 14-267a and corresponding surcharges. In addition, DMV did not have a mechanism in place to verify that the surcharges associated with any civil penalties awarded in accordance with Section 14-295 were collected.

Effect: Potential revenues were lost, since the Department did not assess fines and associated surcharges.

Cause: With regard to the assessment of forfeited bonds and surcharges related to violations of Section 14-267a, DMV has not yet implemented the necessary data processing procedures to analyze the data files being transmitted from the Judicial Department. With regard to the assessment of surcharges related to awards made in accordance with Section 14-295, such awards are made in the civil courts instead of the criminal courts. DMV officials were unaware of a mechanism designed to ensure the collection of the surcharge.

Recommendation: The Department should analyze the applicability of Section 13b-70 of the General Statutes to each of the motor vehicle statutes and establish a process to verify the collection of such fees. (See Recommendation 2.)

Agency Response: “Difficulties in administering this statute spring directly from the ambiguous and confusing language of the statute. This statute also references registration revocation, an essentially unenforceable practice with regard to out-of-state registered vehicles and limited significance for in-state vehicles. Driver Services concludes that statutory compliance with Section 14-267a(f)(3) and 14-267a(f)(4) is administratively unfeasible. Therefore, DMV intends to propose a legislative initiative to significantly revise or repeal these provisions in the next session of the General Assembly.

DMV will also review Section 13b-70 of the General Statutes and determine its applicability to all Title 14 sections assessing fines and/or penalties. DMV believes that the inclusion of references to Section 14-295 in the list of motor vehicle fines and penalties is an error. DMV will bring this to the attention of appropriate legislative staff. A plan will then be developed to implement the assessment of the surcharge, along with a method to identify the collection of the surcharge.”

Equipment and Software Inventories:

Criteria: The State of Connecticut’s Property Control Manual prescribes procedures for the maintenance of equipment inventory records. Section 4-36 of the General Statutes requires that agencies report the value of their property inventories by August first of each year. Federal regulations stipulate that title for equipment purchased with Federal funds rests with the State.

The State Software Management Manual establishes software control policies and procedures.

Condition: An examination of 208 inventory items listed on a current property report found that approximately 15 percent of the items could not be found. It appeared that some of the items had been properly surplused some time ago, but the requisite paperwork was never processed to remove the items from the inventory record.

An examination of the Annual Property Reports prepared during the period found that the value of equipment purchased with Federal funds was reported as owned by the Federal government, rather than the State.

Our review continued to find that records indicating the specific software license numbers that were installed on individual computers was outdated and did not contain all of the software owned by the Department.

Effect: Deficiencies in the control over the equipment inventory results in a decreased ability to properly safeguard State assets and decreases the accuracy of financial reporting. The lack of adherence to software management policies increases the risk that the presence of unauthorized copies of software would go undetected.

Cause: The Department has not yet procured the software package intended to track the software inventories. We attribute an apparent lack of administrative control over fixed assets to be the cause of the other conditions.

Recommendation: The Department should improve controls over equipment and software inventories by adhering to procedures promulgated by the State Comptroller's Office. (See Recommendation 3.)

Agency Response: "The Information Systems Technologies Division has used a spreadsheet to log and track hardware/software for each individual PC and associated employee. We are currently transferring the data to a commercial software package and are auditing PCs to verify and finalize hardware/software information. As our use of the software expands, we will institute a more rigorous control process to include license information for software residing on each PC. We will proceed in a date forward manner and as time permits, our staff will backfill the license information into the software.

State equipment purchased with federal funds has been reclassified from federal property to State property."

Support for Promotions by Reclassification:

- Criteria:* General Letter 226, dated October 1996 and promulgated by the Department of Administrative Services, specifies the necessary documentation for promotions by reclassification as provided for in Section 5-227a of the General Statutes. Among the required documents are duties questionnaires and the two most recent performance evaluations.
- Condition:* Our review of twelve promotions that were done by reclassification noted that two were missing the required duties questionnaires and two additional promotions were missing evidence of consecutive satisfactory performance reviews.
- Effect:* Without the required documentation, it is difficult to determine if promotions are properly executed.
- Cause:* A lack of administrative control contributed to these conditions.
- Recommendation:* The Department should exercise more care in the retention of necessary documentation of promotions by reclassification. (See Recommendation 4.)
- Agency Response:* “Internal control processes have been established to ensure that there is compliance with DAS General Letter 226”.

Utilization of Personnel Resources:

Criteria: In accordance with Section 5-206 of the General Statutes, the Department of Administrative Services (DAS) has established position descriptions that include a title and code, pay grade, a statement of duties and responsibilities and the minimum desirable qualifications required by the incumbent for each class.

Section 5-198, subsection (n), of the General Statutes authorizes the creation of unclassified positions for individuals engaged to “make or conduct a special inquiry, investigation, examination, or installation”. According to DAS job descriptions, such positions normally have a duration of no more than three years, although provisions exist to continue the duration if the specified project is not complete. DMV utilizes the classification of Customer Service Program Developer, which is authorized in accordance with Section 5-198, subsection (n).

- Condition:* We noted nine instances in which employees did not supervise the appropriate number or level of staff. We also noted four Customer Service Program Developer positions for which the duties seemed to be ongoing, without a specified project or duration.
- Effect:* The under-utilization of positions represents an inefficient use of resources. The use of unclassified positions as authorized by Section 5-198, subsection (n), can result in the circumvention of the regular hiring process.
- Cause:* The positions established in accordance with Section 5-198, subsection (n), of the General Statutes, were approved by DAS despite the obvious lack of justifications from DMV. The cause of the apparent underutilization of certain supervisory positions could not be readily determined.
- Recommendation:* The Department should ensure employees' responsibilities are commensurate with the job specifications created by the Department of Administrative Services. (See Recommendation 5.)
- Agency Response:* "The Department will review the use of durational positions and take appropriate action. Additionally, the Department has "red-circled" other supervisory positions noted in the report."

Assignment of State Vehicles:

- Criteria:* In accordance with Department of Administrative Services' (DAS) General Letter 115, dated November 1997, Monthly Usage Reports are to be completed for State-leased vehicles and forwarded to the Director of Fleet Operations by the fifteenth of the following month. Sound internal control standards dictate that similar records should be maintained to provide accountability for Agency-owned vehicles.
- In accordance with State Comptroller's Memorandum 99-9 and Section 61 of the Internal Revenue Code, each agency should prepare a Vehicle Usage Fringe Benefit Computation Record for each employee using a State vehicle.
- Sound internal control standards dictate that established written criteria should exist for equitably determining and authorizing the

assignment of State vehicles to employees. Vehicles should be assigned to employees if the use of personally owned vehicle is inappropriate or not cost-effective. Home-to-office travel should not be included in the calculation of cost-effectiveness.

In order to promote the equitable and cost-effective assignment of vehicles, a written policy should exist regarding the assignment of State vehicles at the Department.

Condition:

We noted seven DAS fleet vehicles and five Agency-owned vehicles which lacked monthly usage reports for at least two out of the three months reviewed. We also noted numerous instances in which the certifying signatures of the operator and supervisor were lacking. Many reports were incomplete in that only a town was entered in the block indicating where the car is parked overnight on the monthly usage reports.

The taxable fringe benefits for employee use of state vehicles had not been computed or reported to the State Comptroller in prior years.

We noted fourteen permanently-assigned vehicles for which there did not appear to be justification because the monthly mileage traveled was either too low to justify the assignment or included an excessive amount of home-to-office travel.

We were informed that State vehicles assigned to DMV are exchanged and returned to DAS by divisions within the Department. These actions are taken without notifying the Administrative Division, which had been assigned responsibility for the vehicles. We also noted three vehicles that had been returned to DAS by the Department that were still on the current listing maintained by the DMV Administrative Division.

Effect:

The failure to maintain and submit the required vehicle usage reports prevents the timely review by DAS and DMV of usage patterns to determine the optimal administration of the fleet. In addition, accountability and assurance that the vehicles' usage conforms to accepted State policies is reduced.

The failure to report the taxable fringe benefits for employee use of State vehicles to the State Comptroller, violates established State procedures and Section 61 of the Internal Revenue Code.

Without established criteria for the assigning of State vehicles to employees, there is a higher risk of vehicles being assigned inconsistently, without a documented business need.

Without central administration, vehicles may be exchanged or returned to DAS by divisions within DMV without the knowledge of the Administrative Division, which has been assigned responsibility for the accountability of state vehicles.

Cause: A lack of administrative control is responsible for the current conditions.

Recommendation: The Department should improve administration of State vehicles to promote adherence to pertinent State policies and Internal Revenue Code provisions. (See Recommendation 6.)

Agency Response: “The Department is in the process of developing criteria and a written policy for the assignment of state vehicles to employees. The criteria and policy will be complete by mid-September. After the criteria and policy are complete, current vehicle usage will be reviewed to determine if vehicle assignments meet the new criteria. Vehicle assignments that do not meet the criteria will be returned to DAS or used to establish a Departmental pool of vehicles for use by employees who travel within the state.”

Systems Security/Exit Interview Process:

Criteria: Proper internal control dictates that access to agency data processing equipment and related data be immediately disabled upon separation of an employee or consultant.

Depending on their job classification, DMV employees may be issued firearms, badges, identification cards, laptop computers, and access to sensitive data-processing systems. A central process should be established to document that all such items have been returned to the Department prior to an employee’s separation.

Condition: The Department of Motor Vehicles did not have an exit interview process in place to centrally document the return of Agency property,

the need for the removal of computer passwords and logon identifications, and the reason the employee is separating. The task is left to the supervisors, who may not be fully aware of

all DMV property in the custody of the employee.

We noted more than 20 instances in which the logon identifications of previous employees or consultants authorizing access to centralized Department of Information Technology (DOIT) and DMV applications were still active.

Effect: The failure to verify the return of all Agency property increases the risk of loss to the Department. The failure to remove access rights upon the separation of an employee or consultant increases the risk of unauthorized access to the Department's physical assets and data.

Cause: It appears that a lack of administrative oversight is responsible for this condition. The Department has not seen a need for a formal exit interview process.

Recommendation: The Department should establish a procedure to notify data processing managers of the need to remove the access rights of employees and consultants that have left DMV. In the case of employees, consideration should be given to incorporating the procedure into a documented exit interview process. (See Recommendation 7.)

Agency Response: "Internal procedures will be established to notify the Information Services Technologies Division of the date that an employee separates for the purpose of changing passwords and log-on Ids. All employees will be required to report for a separation interview, at which time Agency-issued properties will be collected."

Revenue Accountability Reports:

Criteria: In accordance with the State of Connecticut's State Accounting Manual, accountability reports should be periodically prepared for all major sources of revenue to compare the moneys that were actually recorded with the moneys that should have been accounted for.

- Condition:* The Department has a cash accounting system that appears to accurately account for the transactions that are processed. However, in order to produce an accurate accountability report for each revenue type, the transactions processed by the Department should be compared to the number of records added in the various databases. A process to perform these types of reconciliations was not in place during the audited period.
- Effect:* The failure to produce accountability reports increases the risk that erroneous transactions will go undetected. Such a process would also serve to detect unauthorized changes that may be made to the various databases without the processing of a cash transaction.
- Cause:* The volume and the number of different transaction types that DMV processes can make the reconciliation process cumbersome. In addition, the lack of relational databases within the various licensing and registration databases prevents the ready accumulation of the necessary data.
- Recommendation:* The Department should prepare accountability reports for the primary sources of revenue. (See Recommendation 8.)
- Agency Response:* “At the Department of Motor Vehicles, each location reconciles daily the cash accounting system transactions to the transactions updated daily to our registration and license system. The registration and license systems do not hold transaction history records. This prevents DMV from running historical transaction reports. DMV will request funding in the current budget process to upgrade the registration and license systems to a relational database system. This will allow DMV to produce historical transaction reports to compare to the current cash accounting system.”

Processing of Revenue Adjustments and Fee Shortages:

- Criteria:* Section 4-32 of the General Statutes requires that receipts in excess of \$500 be deposited and accounted for within 24 hours of the date received. From this, it follows that adjustments to these same deposit figures should be processed as soon as practicable.

Attempts should be made to document and recover shortages that are identified during the processing of transactions by the data entry operators.

Condition: Our review of the Department's deposits found that they were timely, after taking into account waivers that have been issued by

the State Treasurer. However, we noted that revenue adjustments identified by the Department were processed monthly, resulting in time lags of up to 39 days before an identified adjustment was made.

The Department has a system in place during the data entry process to identify fee shortages that are detected when transactions are improperly calculated at the various branches. A transmittal is completed and sent to the fiscal office for collection. These transmittals are not pre-numbered, and a reconciliation of the identified shortages to subsequent collection is not performed.

Effect: Delays in processing these adjustments makes the reconciliation process more cumbersome, and does not provide the State Treasurer with timely data.

While the majority of the discrepancies are for small amounts of money, the process in place did not readily permit the assessment of the overall situation. However, customer shortages are more likely to go uncollected if controls are not in place to verify that all shortages transmitted to the business office are recorded.

Cause: The business manager had not performed a recent review of this area to detect the delays. The Department did not feel that the amounts involved in the fee shortages were sufficient to justify a formal reconciliation process.

Recommendation: The Department should process revenue adjustments in a more timely fashion, and consider establishing a process to reconcile fee shortages to collections. (See Recommendation 9.)

Agency Response: "Revenue adjustments are now processed on a daily basis. To ensure timely reporting, copies of reconciling items from the daily bank reconciliation are now submitted to the manager for daily review. An assessment of the identified fee shortages will be made in relationship to

the extent of billing required and the cost implications involved in modifying the process.”

Valuation of Accounts Receivable:

- Criteria:* Agencies should record accounts receivable balances at realizable values. In accordance with Section 3-7 of the General Statutes, agencies may cancel upon their books amounts up to \$1,000 that are deemed uncollectible. Amounts exceeding \$1,000 may be cancelled only with the approval of the Secretary of the Office of Policy and Management.
- Condition:* As of December 31, 1999, DMV reported over \$800,000 due from individuals for bad checks. Over \$126,000 of this amount stemmed from transactions that occurred between 1984 and 1994.
- Effect:* The likelihood of collection of amounts over five years old is low. As a result, it appears that receivables are overstated.
- Cause:* DMV had not sought the write-off of such amounts in a long time.
- Recommendation:* The Department of Motor Vehicles should review accounts receivable aging reports and write-off amounts that are deemed uncollectible. (See Recommendation 10.)
- Agency Response:* “The Revenue Unit will submit uncollectible accounts annually for write-off. All accounts over four years old will be written off.”

Accountability of Pre-numbered Citation Forms:

- Criteria:* Various DMV employees, most of whom are assigned to the Commercial Vehicle Safety Division (CVSD), are authorized to issue citations to vehicle operators similar to other law enforcement units. These tickets are transmitted to the Judicial Department for enforcement action and collection of the fines. Such forms are pre-numbered to improve accountability of those documents. CVSD records indicate that the unit issues approximately 4,000 tickets per year.
- Condition:* Our review of the controls in place over pre-numbered tickets determined that procedures are in place to record the issuance of larger quantities of tickets to supervisory staff. Formal procedures were not in place to document the issuance of tickets to individual inspectors, and

adequate controls were not in place to provide accountability for the return of the documents and to determine whether forms were improperly voided or lost. A database of all tickets returned to the CVSD is maintained, but procedures were not in place to compare the data to the population of tickets issued. In addition, those employees outside of CVSD had not been instructed to submit their issued tickets for inclusion in the database

Effect: The collection of revenue associated with these forms, as well as the recording of violations on an individual's record, is not assured if the procedures to detect misplaced forms are not in place. In addition, patterns of lost or voided tickets, if detected, could indicate employee performance problems.

Cause: The Department had not considered the need for any procedures designed to promote the accountability of the tickets. The fact that CVSD maintains the current database presents a potential solution to this condition without the need for an intensive manual process.

Recommendation: Procedures should be implemented to provide for the accountability of pre-numbered ticket forms. (See Recommendation 11.)

Agency Response: "The Department of Motor Vehicles, Commercial Vehicle Safety Division (CVSD), acknowledges and appreciates the concerns raised by the State Auditors. As stated under "Condition" the CVSD does have in place a mechanism to track and document the distribution of infraction and misdemeanor ticket books in quantity to field personnel. There currently exists a system that enables the CVSD to readily identify the origin of any ticket written, entered on a court transmittal, and forwarded to the Judicial Branch.

However, the current system is not utilized or programmed to sequentially search data that may enable the CVSD to detect individual tickets removed from a book that may be unaccounted for. On the recommendation of the Auditors, the CVSD will program the data entry and retrieval capabilities so as to capture individual ticket numbers that have not been entered into the system. Initial review of this problem and possible remedies indicate that it will not be a complicated modification to the current system. A file will be maintained to include a signed receipt by the individual Inspector for each ticket book received and all voided infractions or misdemeanors will be required to be

returned to CVSD headquarters. Computer files utilized to capture all infraction and misdemeanor data are currently being programmed so as to flag all tickets, through numerical sequence, for which no data has been entered. The system will be checked on a monthly basis and an inquiry will be made in the event that any tickets are flagged as missing or out of numerical sequence. Obviously we will have the capability of checking the system randomly should it appear a pattern or problem exists.

Lastly, a policy/procedure will be established relative to the distribution, receipt, and submission to CVSD headquarters of all individual tickets removed from a book, regardless of the nature or purpose of removal.”

Procurement of Personal Service Contractors:

Criteria:

In December 1998, the Department of Information Technology (DOIT) issued a contract award for agencies to use to select consultants for the Year 2000 projects. Section 4-213 of the General Statutes states that no State agency may hire a personal service contractor without executing a personal service agreement. Section 4a-59, subsection (c) of the General Statutes requires that contracts valued at more than \$1 million shall only be awarded to other than the lowest responsible qualified bidder with the approval of the Commissioner of Administrative Services and the State Comptroller. Section 4d-8 of the General Statutes assigns the duties of the Commissioner of Administrative Services to the State's Chief Information Officer with regard to information system services.

Condition:

Our review of DMV's selection of a Year 2000 project contractor revealed that the lowest responsible qualified bidder was not selected. At the same time, DMV did not obtain the required approval of the Chief Information Officer and the State Comptroller. The contractor was engaged with a purchase order instead of a personal service agreement as required.

A review of payments to this contractor noted an additional payment of \$19,520 for a salary “bonus” to cover the extra hours that were worked by the contractor's program manager. This bonus was approved without any contractual obligation to pay for these additional costs.

In addition to this major Year 2000 project, we noted a similar contract for \$58,000 that was executed with a purchase order instead of a personal service agreement.

Pursuant to Section 2-90 of the General Statutes, we reported these conditions to the Governor and other State officials in a letter dated September 25, 2000.

Effect: Procedures designed to improve the oversight and control the costs of consulting contracts were circumvented. An additional \$19,520 was expended without any contractual requirements.

Cause: The Department's failure to adhere to the provisions of Section 4-213 of the General Statutes resulted from following DOIT's instructions directing agencies to use purchase orders to engage contractors. The additional payment of \$19,520 can be attributed to a lack of administrative control.

Recommendation: The Department should adhere to applicable statutes when hiring data processing consultants and only agree to pay for costs that are provided for in the contract language. (See Recommendation 12.)

Agency Response: "During the period of Y2K conversion, DMV followed DOIT's instructions directing agencies to use purchase orders to engage contractors. DMV will adhere to applicable statutes when hiring data processing consultants."

Role of Investigative Units Within the Department:

Background: The Department has an Internal Audit Unit that is charged with the responsibility of helping to maintain the integrity of the Department's operations by performing periodic independent reviews of the DMV. According to the Unit's mission statement, it is also responsible for assisting law enforcement organizations and conducting special investigations of the loss of assets or other fraudulent activity.

The Department also employs a detective, whose primary responsibility is the investigation of potential illegal activity inside and outside the Department, as well as serving as a contact for outside law enforcement agencies desiring motor vehicle data.

Criteria: In order to promote the efficient use of resources, duplication of effort should be minimized when possible. When the need for an internal examination is identified, the Internal Audit Unit should be consulted to ensure an unbiased review. The organizational reporting structure of such investigative units should provide for independence by reporting to the highest administrative official of the Department. In order to efficiently promulgate findings and recommendations to management, reports should be in written form and distributed to appropriate staff.

Condition: We noted internal investigations during the audited period that occurred within DMV without the knowledge or involvement of the Internal Audit Unit.

A review of cases investigated by DMV's detective found that reports were usually made verbally to the Deputy Commissioner without being memorialized in writing. The assignment of cases to this detective was generally not documented or required to be approved by anyone other than the detective himself. In some instances, these investigations highlighted deficiencies in, or circumvention of, the established internal control structure. The detective informed us that many of his cases involve assisting other law enforcement agencies, which is one of the established functions of the Internal Audit Unit. At the time of our inquiry, the detective had a backlog of cases, some of which were months old.

Effect: The failure to involve the Internal Audit Unit in internal investigations increases the risk that reviews will not be performed in the most timely and independent manner. The lack of a documented caseload reduces accountability for the prompt review of all cases. The failure of the detective to issue written reports prevents necessary communication to the Internal Audit and other operating units, prohibiting timely assessment of the potential Department-wide exposures. When an investigative unit reports to an appointee such as a Deputy Commissioner, there is an increased risk that operational problems which reflect poorly on the administration may be masked.

Cause: A lack of administrative control resulted in this condition.

Recommendation: The Department should utilize the Internal Audit Unit in accordance with its stated purposes and re-evaluate the roles and reporting responsibilities of the Internal Audit Unit and the in-house detective.

Consideration should be given to placing the detective position within the Internal Audit Unit. (See Recommendation 13.)

Agency Response: “The detective has been temporarily reassigned to the Commercial Vehicle Safety Division, reporting directly to the Division Chief.

The Department is planning to review the type of investigations conducted by the detective. Upon completion of this review, a determination will be made as to suitable placement for this position within the Department.”

Monitoring Usage of Telecommunications Resources:

Criteria: The Department's Code of Ethics indicates that use of State equipment, including telephones, computers, fax machines, and State vehicles for personal, non-work related purposes is prohibited.

In order to provide assurance that amounts are correctly billed for telecommunications services, a process should be in place to review the usage. Such a process also can indicate whether State time is being used for non-business purposes.

Condition: A review of the procedures in place within DMV found that only two units within the Department routinely utilize an internal automated monitoring system to review telephone activities. The balance of the Department did not have a process in place to log long distance calls for subsequent verification or monitor other usage. Based on an anonymous tip, we used the Department’s monitoring system to illustrate the fact that an employee was making personal calls during the workday.

Effect: The lack of controls increases the risk that unauthorized employee use or improper charges may occur and not be detected.

Cause: A lack of administrative control contributed to this condition.

Recommendation: The Department should implement procedures to monitor the propriety of employee usage and the accuracy of telephone charges incurred. (See Recommendation 14.)

Agency Response: “Effective September 1, 2000, a monthly monitoring report will be produced via the current phone system and distributed to all divisions.

Personnel will review such reports within each division for appropriate long distance charges, as well as appropriate use.

Division managers will sign off on their respective reports and note the need for adjustments or corrective actions.”

Statutory Reporting and Contractual Requirements of the Emissions Program:

Criteria: Section 14-164h of the General Statutes requires that the Commissioner of Motor Vehicles report, by the 15th of each month, to the Transportation Committee of the General Assembly concerning the operation of the motor vehicle emissions inspection program. Said reports should include information pertaining to “enforcement proceedings employed against those who fail to comply with exhaust emissions standards”.

Under the terms of the contract between the emissions contractor and the State, the State has agreed to “use its best efforts” to enforce testing compliance by issuing registration suspension notices when vehicles fail to appear for scheduled testing or do not submit for re-testing after a failure. Contractual terms call for the information required to take the suspension actions to be provided by the contractor through their data processing system.

Condition: A quarterly report was submitted for the last quarter of 1999 and no reports have been submitted through May of 2000. A mechanism was not in place to include in the report the number of vehicles against which enforcement proceedings were held.

Inquiries revealed that the contractor is not supplying accurate data to the DMV for purposes of identifying those vehicles that fail to appear for scheduled testing. As a result, DMV is generally only taking enforcement action against those vehicles that do not re-test after a failure.

Effect: The lack of timely and complete reporting to the Transportation Committee could prevent the intended level of legislative oversight. The inability to verify data and take enforcement action appears to be an ineffective deterrent to noncompliance.

Cause: We were informed that the delay in submitting reports was due to a change in procedure. DMV is now responsible for obtaining some report information from the branch offices rather than the emissions

vendor. The failure to include statistics pertaining to enforcement proceedings appeared to be an oversight. Neither DMV nor the contractor has insisted that the other perform to the standards in the contract.

Recommendation: The Department should comply with the reporting requirements of Section 14-164h of the General Statutes and take steps to ensure that both DMV and the emissions contractor perform their duties in accordance with the emissions contract. (See Recommendation 15.)

Agency Response: “The Emissions Division had revised the monthly report format to include “enforcement proceedings...” as required by 14-164b. Enforcement statistics will include the numbers of automated and manual warning tickets for emissions violations issued and processed as well as the number of vehicles referred to the DMV Suspension Unit. The past delay resulting in quarterly reports was in fact the result of the unavailability of electronic waiver records from DMV branches. This occurred because in July of 1999, the waiver function was transferred from the contractor (who provided data in electronic format) to the DMV emissions division and branch offices. A system is now in place to transcribe the manual waiver records from the branches into the electronic format. Waivers issued by the emissions division at the stations are transcribed into electronic format on-site. After the second quarter of 2000, it is anticipated that reports will be available by the 15th of the next month as required.”

Single State Registration System (SSRS):

Background: In accordance with Federal Regulations, there is a national program that permits owners of commercial vehicles to file insurance documentation and pay registration fees for all states in which the owners wish to operate to the state in which they conduct most of their business.

Criteria: DMV publishes a procedure manual for the program in accordance with Federal regulations. This manual states that each registration state shall revoke the registration to operate in any state if the registrant has failed to comply with insurance requirements. Each registration state is to transmit revocation information monthly to all affected jurisdictions.

- Condition:* Our review of the correspondence on file with the SSRS Unit revealed that while other states routinely notify DMV of revoked registrations, DMV has not implemented a corresponding process to notify other states of those registrations revoked in Connecticut. In addition, DMV does not have a process in place to notify police departments and DMV inspectors of those out-of-state revocations.
- Effect:* DMV is not in compliance with established SSRS procedures. The lack of a notification process to law enforcement and DMV inspectors presents the risk that these vehicles could be stopped in Connecticut without enforcement action being taken.
- Cause:* A lack of administrative control resulted in the failure to notify other states. Data processing limitations prohibit DMV from using existing systems to notify authorities of offending carriers.
- Recommendation:* DMV should conform to the notification requirements of the Single State Registration System program. In addition, consideration should be given to establishing a notification system to make law enforcement officers aware that the registrations are revoked. (See Recommendation 16.)
- Agency Response:* “As is the case with the majority of the SSRS jurisdictions, Connecticut does not currently send notification letters to jurisdictions and to law enforcement when a registrant in the SSRS is determined to be non-compliant. Our files are marked for non-compliance, and this information is provided to law enforcement officials upon request. But we will change our procedure, and we will begin to send notification letters to other jurisdictions, and to certain law enforcement authorities, when a carrier is determined by us to be non-compliant with respect to the insurance requirements of the SSRS program. The target date for implementation is October 1, 2000.”

RECOMMENDATIONS

Our previous audit report contained six recommendations pertaining to Agency operations. There has been satisfactory resolution of three of those recommendations. The three remaining recommendations have been restated to reflect current conditions. Fourteen additional recommendations have been formulated as a result of our current review. The following is a summary of the recommendations and the actions taken thereon.

Status of Prior Audit Recommendations:

- The Department should discontinue funding general Agency operations through the Emissions Inspection Enterprise Fund. During the audited period, the Department transferred approximately one-half of the positions formerly charged to the Emissions Fund to the Special Transportation Fund. This recommendation has been resolved.
- The Department should meet with the Judicial Department to determine if more information could be provided as part of the on-line court abstracts. Information such as legal vehicle weight at the time of the violation must be provided so that the Department of Motor Vehicles can carry out enforcement of Section 14-267a (f)(3) of the General Statutes. The Department should also seek clarifying legislation so that the statute could be enforced less narrowly. This recommendation is being repeated. (See Recommendation 2.)
- The Department should improve equipment inventory control procedures. It also should utilize the personal computers held in storage as soon as possible. This recommendation has been modified to reflect the current conditions. (See Recommendation 3.)
- The Agency should comply with the requirements of the State Software Management Policy Manual. This recommendation is being repeated as part of an overall inventory management recommendation. (See Recommendation 3.)
- The Department should reevaluate the role of fund raising activities by the Employee Recognition Committee. This recommendation has been resolved.
- The Agency should ensure that time and attendance policies are adhered to, unusual leave of absence circumstances are properly documented, Agency resources are properly used for State business only, and that goods and services are received before payment. This recommendation has been resolved.

Current Audit Recommendations:

- 1. The Department of Motor Vehicles should attempt to improve its procedures relating to the impoundment of uninsured vehicles as authorized by Section 14-12g through 14-12n of the General Statutes, and consider proposing legislation that will either permit the intended results to be obtained, or cause statutory changes that will increase the effectiveness of the laws. (See Recommendation 1.)**

Comment:

Many impoundment reports submitted to DMV were not dated as required, and notification to the Chief State's Attorney was not made. There appears to be a legal question as to whether towing firms can retain vehicles if the owners pay the assessed charges. The typical costs associated with the towing and storage of impounded vehicles appear to often exceed the expected auction value of forfeited vehicles.

- 2. The Department should analyze the applicability of Section 13b-70 of the General Statutes to each of the motor vehicle statutes and establish a process to verify the collection of such fees.**

Comment:

We continued to note that DMV did not have a process in place to analyze Judicial Department information and verify that surcharges authorized by Sections 14-267a and 14-295 of the General Statutes were being collected in all instances.

- 3. The Department should improve controls over equipment and software inventories by adhering to procedures promulgated by the State Comptroller's Office.**

Comment:

Fifteen percent of the items selected for physical inspection could not be located at the recorded locations. Minor errors were noted in the preparation of the annual inventory reports. Software inventory records were not complete.

- 4. The Department should exercise more care in the retention of necessary documentation of promotions by reclassification.**

Comment:

Four of twelve promotions were not adequately documented in accordance with State procedures.

- 5. The Department should ensure employees' responsibilities are commensurate with the job specifications created by the Department of Administrative Services.**

Comment:

We noted nine instances in which the employee's job description was not congruent with the levels of responsibility assigned to them. Four unclassified positions established in accordance with Section 5-198, subsection (n), of the General Statutes did not have specific durations as required.

- 6. The Department should improve administration of State vehicles to promote adherence to pertinent State policies and Internal Revenue Code provisions.**

Comment:

During the three-month period that we examined, 12 vehicles were found to be missing multiple monthly usage reports. Those reports that were on file were not always complete. Taxable fringe benefits were not calculated and reported as required by Internal Revenue Service regulations. Established criteria for approving the assignment of vehicles to staff did not exist.

- 7. The Department should establish a procedure to notify data processing managers of the need to remove the access rights of employees and consultants that have left DMV. In the case of employees, consideration should be given to incorporating the procedure into a documented exit interview process.**

Comment:

More than 20 logon identifications of former employees or consultants remained active on DMV's systems. DMV did not have an established exit interview process in place to document the termination of employees and the return of Departmental assets.

- 8. The Department should prepare accountability reports for the primary sources of revenue.**

Comment:

The Department did not have the capability of producing accurate revenue accountability reports.

- 9. The Department should process revenue adjustments in a more timely fashion, and consider establishing a process to reconcile fee shortages to collections.**

Comment:

The initial recording of deposited revenue items was normally done in a timely fashion. However, subsequent adjustments to those revenue figures were performed monthly, regardless of their magnitude. Identified fee shortages were not reconciled to subsequent collection figures.

- 10. The Department of Motor Vehicles should review accounts receivable aging reports and write-off amounts that are deemed uncollectible.**

Comment:

As of December 31, 1999, DMV reported over \$800,000 due from bad checks. Over 15 percent of this amount resulted from transactions that took place between 1984 and 1994, the collection of which is highly doubtful.

- 11. Procedures should be implemented to provide for the accountability of pre-numbered citations for violations.**

Comment:

Procedures were not in place to provide accountability of the pre-numbered citations.

- 12. The Department should adhere to applicable statutes when hiring data processing consultants and only agree to pay for costs that are provided for in the contract language.**

Comment:

DMV engaged a contractor that was other than the lowest bidder without the necessary approvals. In two instances, contractors were engaged with purchase orders instead of

personal service agreements as required by Section 4-213 of the General Statutes. We also noted the payment of a “bonus” to the vendor without a contractual obligation to do so.

- 13. The Department should utilize the Internal Audit Unit in accordance with its stated purposes and re-evaluate the roles and reporting responsibilities of the Internal Audit Unit and the in-house detective. Consideration should be given to placing the detective position within the Internal Audit Unit.**

Comment:

Overlap exists between the designated and actual roles of the DMV auditors and detective. Most reports issued by the detective were presented orally to a Deputy Commissioner, and not communicated to the Internal Audit Unit for review. We noted some investigations that were done without the participation of the internal auditors.

- 14. The Department should implement procedures to monitor the propriety of employee usage and the accuracy of telephone charges incurred.**

Comment:

The Department did not have a procedure in place to document the periodic review of telephone billings.

- 15. The Department should comply with the reporting requirements of Section 14-164h of the General Statutes and take steps to ensure that both DMV and the emissions contractor perform their duties in accordance with the emissions contract.**

Comment:

Monthly reports required by Section 14-164h of the General Statutes were not being submitted in a timely fashion. Contractual terms did not appear to be met by either the DMV or the emissions contractor with regard to the process of designating and suspending the registrations of those vehicles that do not appear for scheduled testing.

- 16. The Department should conform to the notification requirements of the Single State Registration System program. In addition, consideration should be given to establishing a notification system to make law enforcement officers aware that the registrations are revoked.**

Comment:

DMV did not have a process in place to transmit revocation information to other states. Data received from other states is not made available to local law enforcement agencies.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Department of Motor Vehicles for the fiscal years ended June 30, 1998 and 1999. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Motor Vehicles for the fiscal years ended June 30, 1998 and 1999, are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Department of Motor Vehicles complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Department of Motor Vehicles is the responsibility of the Department of Motor Vehicles' management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 1998 and 1999, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance, which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

The management of the Department of Motor Vehicles is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Department of Motor Vehicles' financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following finding represents a reportable condition: the inability of the Agency to produce revenue accountability reports.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we believe that the reportable condition described above is not a material or significant weakness.

We also noted other matters involving internal control over the Agency's financial operations and over compliance which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the officials and staff of the Department of Motor Vehicles during this examination.

Kenneth S. Post
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts