

STATE OF CONNECTICUT

**AUDITORS' REPORT
DEPARTMENT OF MOTOR VEHICLES
FOR THE FISCAL YEARS ENDED
JUNE 30, 2000, 2001 and 2002**

AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE

Table of Contents

| | |
|---|----|
| INTRODUCTION..... | 1 |
| COMMENTS..... | 1 |
| FOREWORD | 1 |
| RÉSUMÉ OF OPERATIONS | 2 |
| PROGRAM EVALUATION..... | 5 |
| CONDITION OF RECORDS..... | 11 |
| Equipment and Software Inventories..... | 11 |
| Assignment of State Vehicles | 13 |
| System Security/Exit Interview Process | 15 |
| Revenue Accountability Reports | 16 |
| Timely Depositing and Handling of Revenue Shortages/Adjustments | 17 |
| Accountability of Pre-numbered Citation Forms..... | 19 |
| Utilization of Personnel Resources..... | 20 |
| Lack of Authorizing Payroll Documents | 21 |
| Payments to Separating Employees..... | 22 |
| Administration of Workers' Compensation Cases | 23 |
| Implementation of Telecommuting Procedures..... | 24 |
| Data Processing Disaster Recovery Plan | 25 |
| Documentation of Sales/Use Tax Collected | 26 |
| Race Inspection Fees..... | 27 |
| Insurance Compliance Process | 28 |
| Processing of Vendor Payments | 29 |
| Case Backlogs Within Investigative Units | 31 |
| Authority of Commissioner and Deputy Commissioners..... | 34 |
| Implementation of Programs and Regulations..... | 35 |
| Procedures for the Impoundment of Uninsured Vehicles..... | 36 |
| RECOMMENDATIONS..... | 38 |
| INDEPENDENT AUDITORS' CERTIFICATION..... | 45 |
| CONCLUSION..... | 47 |

November 7, 2003

**AUDITORS' REPORT
DEPARTMENT OF MOTOR VEHICLES
FOR THE FISCAL YEARS ENDED JUNE 30, 2000, 2001 AND 2002**

We have made an examination of the financial records of the Department of Motor Vehicles (DMV) for the fiscal years ended June 30, 2000, 2001 and 2002. 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 administered, through a contractor, the State's auto emissions inspection program.

During the audited period, Gary J. DeFilippo served as interim Commissioner until he was formally appointed by the Governor on January 16, 2001.

Legislative Changes:

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

Public Act 99-181 – This Act eliminated the Automobile Insurance Enforcement Fund and transferred its functions and assets to the Special Transportation Fund.

Public Act 99-268 – This Act established an alternative method for DMV to inspect emissions of diesel-powered commercial vehicles and established a \$1,000 minimum repair expenditure for such vehicles that fail inspections. The Act also placed fines for emissions violations in the Special Transportation Fund and allows first violations to be processed through the Centralized Infractions Bureau. By classifying the fines for emissions violations this way, the Act subjects them to the special 50 percent Special Transportation Fund surcharge.

Public Act 99-287 – This Act made changes to the State’s motor vehicle safety inspection program. This includes replacing the \$25 safety inspection fee with a \$10 administrative fee for safety inspections and vehicle identification number inspections, paid to the DMV at registration and deposited in the Special Transportation Fund.

June Special Session, Public Act 01-06 – This Act made changes to the terms for drivers’ license renewals and fees; increased the clean air fee charged at the time of motor vehicle registration renewal; applied the increased fee to new registrations; and split the clean air fee revenue with 57.5 percent going to the Special Transportation Fund and 42.5 percent going to the Clean Air Act account.

June Special Session, Public Act 01-09 – This Act made numerous changes to DMV laws, including provisions that allows the DMV commissioner to appoint any licensed motor vehicle dealer or repairer to conduct emissions inspections, if they meet the qualifications, requirements, and conditions he establishes; making the emissions testing exemption for vehicles during the first four model years effective with the 2000 through 2003 models.

RÉSUMÉ OF OPERATIONS:

General Fund:

Department of Motor Vehicles General Fund cash receipts totaled \$830,801, \$1,713,648 and \$1,482,524 during the fiscal years ended June 30, 2000, 2001 and 2002, respectively. Federal and other restricted funds administered by the Department continued to be accounted for in the General Fund. The primary source of such restricted funding were Federal funds provided under the National Motor Carrier Safety Program (CFDA # 20.218).

General Fund revenue increased during the 2000-2001 fiscal year due to an increase in the federal funding received.

General Fund expenditures amounted to \$6,734,933, \$1,244,073, and 1,660,683 during the fiscal years ended June 30, 2000, 2001 and 2002, respectively. The decrease in expenditures from fiscal year 2000 to 2001 was attributable to the one-time costs related to the Year 2000 compliance project. The balances of the expenditures in those years were primarily 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:

| | <u>Fiscal Year Ended June 30,</u> | | |
|--------------------------------|--|-----------------------|-----------------------|
| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| Registrations | \$ 162,240,281 | \$ 161,741,036 | \$ 155,828,323 |
| Temporary registrations | 6,455,027 | 7,065,157 | 7,283,817 |
| Operator licenses | 27,837,632 | 23,521,809 | 23,259,036 |
| Inspection of motor vehicles | 3,571,818 | 3,131,190 | 2,976,822 |
| Certificates of title | 22,027,387 | 20,732,636 | 20,883,669 |
| License examinations | 5,966,156 | 5,770,060 | 5,750,843 |
| Late fees, fines and costs | 9,181,480 | 9,175,621 | 7,518,889 |
| Interstate carrier permits | 3,239,705 | 3,478,980 | 3,774,050 |
| Safety plate fees | 2,998,257 | 2,854,600 | 2,856,355 |
| Emissions late fees | 7,345,080 | 5,382,660 | 5,028,160 |
| Sale of commercial information | 9,990,188 | 8,981,401 | 8,558,177 |
| Federal Clean Air Act | 6,610,961 | - | - |
| All others | <u>4,926,479</u> | <u>3,689,186</u> | <u>3,489,341</u> |
| | <u>\$ 272,390,451</u> | <u>\$ 255,524,336</u> | <u>\$ 247,207,482</u> |

In accordance with the provisions of Section 14-49b of the General Statutes, as amended by Public Act 01-09, Section 79, for each new registration or renewal of any motor vehicle, a fee shall be paid to the DMV of ten dollars per registration for a biennial period and five dollars per registration for an annual period. This fee is to be identified as the "Federal Clean Air Act fee" on any registration form provided by the Commissioner. Payments collected shall be deposited as follows: Fifty-seven and one-half percent to the Special Transportation Fund and forty-two and one-half percent to a separate, nonlapsing Federal Clean Air Act account which shall be established by the Comptroller within the General Fund. The account is to be used to pay any costs to State agencies of implementing the requirements of the Federal Clean Air Act Amendments of 1990.

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:

| | Fiscal Year Ended June 30, | | |
|---------------------------|-----------------------------------|----------------------|----------------------|
| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| Personal Services | \$ 36,586,997 | \$ 35,317,778 | \$ 34,776,455 |
| Other Expenses | 13,386,856 | 13,108,268 | 12,627,810 |
| Equipment | 664,562 | 622,185 | 676,312 |
| Graduated licenses | - | 200,000 | 197,953 |
| Reflective License Plates | 4,457,206 | 3,672,219 | 244,540 |
| Insurance Enforcement | 459,542 | 360,000 | 360,000 |
| Marine Vessel Account | 412,710 | 383,911 | 381,724 |
| Other | 202,256 | 234,198 | - |
| Total | <u>\$ 56,170,129</u> | <u>\$ 53,898,559</u> | <u>\$ 49,264,794</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.

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:

| | Fiscal Year Ended June 30, | | |
|---------------------------------------|-----------------------------------|---------------------|---------------------|
| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| Revenue: | | | |
| Inspection fees | \$ 28,158,836 | \$ 29,352,255 | \$ 24,743,931 |
| Investment income | 227,559 | 377,916 | 325,416 |
| Total Revenue | <u>28,386,395</u> | <u>29,730,171</u> | <u>25,069,347</u> |
| Expenditures: | | | |
| Personal services and Fringe Benefits | 4,463,264 | 3,832,944 | 2,999,387 |
| Outside professional services | 25,634,711 | 22,734,075 | 23,552,767 |
| All other expenditures | 3,634,325 | 630,576 | 367,897 |
| Total Expenditures | <u>33,732,300</u> | <u>27,197,595</u> | <u>26,920,051</u> |
| Excess of Revenue over Expenditures | (5,345,905) | 2,532,576 | (1,850,704) |
| Fund Balance at Beginning of Year | 9,015,662 | 6,483,086 | 8,333,790 |
| Fund Balance at End of Year | <u>\$ 3,669,757</u> | <u>\$ 9,015,662</u> | <u>\$ 6,483,086</u> |

The implementation of Public Act 01-09 will dramatically affect the Fund because DMV will no longer be receiving testing fees and making payments to the emissions contractor. Instead, fees will go directly to the contracted vendor and the repair facilities that enter into the new emissions testing program.

Automobile Insurance Enforcement Fund:

Public Act 99-181 transferred this Fund to the Insurance Enforcement Account within the Special Transportation Fund.

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 \$4,207,911, \$4,319,247, and \$3,879,000 during the fiscal years ended June 30, 2000, 2001 and 2002, 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>2002</u> | <u>2001</u> | <u>2000</u> |
| Sales tax | \$ 65,575,479 | \$ 60,364,510 | \$ 58,402,967 |
| Federal Clean Air Act fee | 5,965,910 | 4,465,303 | 4,153,086 |
| Boat registrations | 5,004,949 | 4,829,577 | 4,685,144 |
| Long Island Sound plates | 326,706 | 407,180 | 512,636 |
| Motorcycle rider education | 150,880 | 143,081 | 133,164 |
| Animal population control | 55,890 | 57,840 | 65,870 |
| Other miscellaneous receipts | 44,280 | 57,185 | 59,690 |
| | <u>\$ 77,124,094</u> | <u>\$ 70,324,676</u> | <u>\$ 68,012,557</u> |

State Capital Projects:

Expenditures for State capital projects totaled \$1,074,273 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 Diesel Commercial Vehicle Emissions Inspection Program for examination. The objective of this review was to determine if the inspection program was being run in an effective manner and consistent with State laws.

Overview of Program

Section 14-164i of the General Statutes established an emissions program for diesel-powered commercial vehicles (hereafter, “the Program”). The Program was originally established by the passage of Public Act 91-384, with inspections set to begin in July 1995. Subsequent Public Acts delayed the commencement of the inspections until October 1997.

The Program requirements apply to almost all diesel-powered commercial vehicles with a gross vehicle weight in excess of 26,000 pounds operating in the State of Connecticut, regardless of the state the vehicle is registered in. Excluded from the Program are farm vehicles, fire apparatus and other emergency vehicles, recreational vehicles in private use, and school buses.

Detailed inspection procedures and testing standards are delineated in State Regulations established in September 1998. Testing standards provided for a three-tiered threshold of acceptable emissions levels depending on the age of the vehicle. Effective January 1, 2003, the lower threshold was eliminated and all vehicles of model year 1990 and older are to be held to the same standard, with a higher standard for vehicles of model year 1991 and newer.

Regulations provide for certain penalties in the event a vehicle is found to be noncompliant. The penalty for a first offense is \$300. Subsequent offenses within one year of the previous violation are \$500. Those vehicles that fail to pass are given 45 days from the date of inspection to present proof of emissions-related repairs. Failure to provide proof of emissions-related repairs in that period is supposed to result in suspension of the vehicle’s registration. Vehicles meeting the minimum repair requirement of \$1,000 in expenditures and still failing to pass can be provided with a two-year waiver.

Coverage of Testing Process

Section 14-164i, subsection (f), of the General Statutes states that “No diesel-powered commercial motor vehicle shall be operated on the highways of this State unless such vehicle complies with the provisions of this section and the regulations adopted by the Commissioner”. Taken literally, this means that every commercial diesel vehicle operating on the State’s roads should be in compliance.

Most of the surrounding states, with the exception of Rhode Island, have similar diesel emissions testing programs. For the most part, these states offer reciprocity from testing when an inspector sees the appropriate inspection decal in the window. The reciprocal testing, combined with the fact that it is difficult to know how often an out-of-state vehicle travels through the State, appears to present an increased risk of pollution from Connecticut-based vehicles that operate within State boundaries on a daily basis.

With this in mind, we examined DMV’s statistics on the number of vehicles tested, and compared that to the number of vehicles registered in Connecticut that would appear to meet the requirements of the Program. During the 12-month periods ended June 30, 2002 and December

31, 2002, DMV reported inspecting 1,106 and 1,847 vehicles, respectively. Of those totals, vehicles registered in Connecticut represented 747 and 1,245, or approximately 67.5% of the vehicles tested. These figures are notable, given the fact that DMV has only two certified diesel inspectors to cover the entire State.

Statistics provided to us by DMV indicates that as of September 2002, there were approximately 20,000 diesel-powered commercial vehicles registered in the State. Using the average of the figures above, it would take DMV approximately 20 years to test all of the in-state vehicles that apparently fall under the Program.

An examination of DMV's practices revealed a few opportunities for DMV to extend its testing coverage, particularly for vehicles registered and based in the State. Section 14-164i, subsection (b), of the General Statutes, states that such inspections shall be done in conjunction with any safety or weight inspection at any official weighing area or other location. DMV's current practice is to test only those vehicles that appear to expel excess emissions. Attempting to perform an emissions test on every vehicle that is chosen for another type of inspection would result in stricter adherence to the Statute and increase the test coverage.

Provision was made in Section 14-164i, subsection (b), for the Commissioner of Motor Vehicles to accept the results of an inspection performed through an agreement with the operator of a fleet of commercial vehicles or any licensed motor vehicle dealer or repairer that is properly authorized by the Commissioner. Performing the testing function in these manners could go a long way toward achieving full compliance with the Program. Most of DMV's efforts could then be expended inspecting certified facilities.

DMV drafted regulations in November 2000 that provided for the implementation of emissions testing by fleet owners and licensed dealers and repairers. However, the draft document was never presented for formal adoption. We were informed that the estimated fiscal impact of the proposed regulations was not deemed to be cost effective at the time.

Enforcement of Penalties

As mentioned previously, provisions exist for the imposition of penalties in the event of noncompliance with Program requirements. While it appeared that DMV was properly issuing fines for initial violators, we found that as of February 2003, 21 vehicles were delinquent on providing proof of necessary repairs. However, no vehicle registrations had been suspended as a result of noncompliance. We were informed that the design of the DMV registration system would not readily permit the suspension of a registration for diesel emissions violations.

We reviewed files of 18 violators to determine if the proper procedures were adhered to relative to the documentation of emissions repairs. We noted one file that contained evidence of safety-related repairs, but no evidence of emissions repairs. Two files did not contain signatures of vehicle owners. These signatures are necessary because owners can perform the repairs themselves and self-certify under penalty of false statement that the work was done. We also

noted one instance in which a vehicle was found to be in violation of the emissions standards twice within a 90-day period, yet the amount of the fine was not increased because DMV does not have a method of accessing the database of offenders at the time the citations are issued.

Trend Toward Efforts to Control Diesel Emissions

The responsibilities of DMV with regard to the monitoring of diesel emissions has been recently expanded, and the issue of the health risks associated with those emissions has become a matter of concern for many school systems and state/local governments.

Recent contracts for the construction of a bridge project in New Haven and the Adriaen's Landing project in Hartford have called upon DMV to inspect the level of emissions from contractors' diesel equipment to ensure that pollution is minimal. DMV has begun carrying out its responsibilities by testing 16 pieces of equipment as of December 2002.

As mentioned previously, school buses are currently exempt from the Program. However, recent news articles and initiatives both in Connecticut and across the nation have focused on the potentially harmful affects of diesel emissions from school buses. Connecticut recently enacted an anti-idling law (Public Act 02-56) to help reduce diesel emissions in front of school buildings. In conjunction with the Department of Environmental Protection, one Connecticut town has begun a pilot project of the Clean School Bus Project.

The expansion of diesel emissions testing to school buses appears to be a logical extension for the current Program. In order to accomplish the additional testing that may be required, DMV may need to have a network of fleet and dealer/repairer testing facilities available. DMV's implementation of these Program provisions will then become more important. The current staffing level of two DMV inspectors may have to be expanded to accommodate the increased volume of testing.

Conclusion

As a result of the above analysis, we are presenting the following finding and recommendation for consideration by DMV.

Criteria: Section 14-164i of the General Statutes established a Diesel-Powered Commercial Vehicle Emissions Testing Program. Said Section, with corresponding Regulations established by the Department of Motor Vehicles, generally describes the objectives of the Program and how the Program should operate. Included in these references are a statement that "No diesel-powered commercial motor vehicle shall be operated on the highways of this State unless such vehicle complies with the provisions of

this section and the regulations adopted by the commissioner” and penalty provisions for noncompliance.

In lieu of roadside testing, DMV can enter into agreements with fleet owners or repair facilities to establish testing facilities. Said Section also provides for penalties in the event of noncompliance, and requires DMV to adopt regulations to implement the provisions of the Program.

Condition: The Department of Motor Vehicles has devoted a limited amount of resources to this program. The Department does not have a process in place to ensure that all affected vehicles are tested on a regular cycle.

In addition, DMV does not have a sufficient process in place to track repeat offenders or suspend the registrations of violators that fail to provide evidence of repairs.

Effect: The number of trucks tested annually appears insufficient to accomplish the legislated objective of the Program.

The lack of an effective enforcement mechanism does little to promote compliance.

Cause: Regulations providing for testing by fleets and repair facilities were drafted by the Department in November 2000, but were never submitted for codification because of fiscal constraints. In addition, DMV has assumed the role of performing emissions testing on construction vehicles at two major infrastructure projects.

Limitations of the data-processing capabilities of the Department hampered the ability to detect repeat violators in a timely manner, as well as the ability to suspend the registrations of those that failed to comply with the repair requirements.

Recommendation: The Department of Motor Vehicles should take steps to implement testing procedures and enforcement provisions for the Diesel Commercial Vehicle Inspection Program in accordance with the provisions of Section 14-164i of the General Statutes. (See Recommendation 1.)

Agency Response: “Limitations relative to staffing and facilities have prohibited DMV from testing all diesel-powered commercial vehicles on a regular basis (over 20,000 vehicles). In response to our limited staffing, the DMV has concentrated on targeting gross polluters to air quality. We have expanded our staff and testing efforts and will continue to provide spot inspections on those vehicles identified as showing visible signs of diesel emissions. We have prioritized efforts in an attempt to reduce diesel pollution by concentrating on obvious violators.

The DMV has recently received a CMAQ (Congestion, Mitigation and Air Quality) grant that will provide assistance in implementing a diesel emissions fleet inspection and repair program. The Regulations for this program will be drafted and submitted for necessary approval and codification. Implementation will begin with the development of an implementation plan and pilot program.

At the present time DMV is in the planning and development stage for a new computerized emissions and registration control system. We will propose inclusion of diesel emissions violators for tracking and enforcement purposes in this system.

Currently all states are working with the Federal Motor Carrier Program to allow diesel inspections to be readily available on-line. With this program available, our Inspectors would have immediate access to inter-state and intra-state emissions records. We will monitor the development of this program and participate to the extent possible.

DMV Inspectors will continue to perform diesel emissions testing in conjunction with safety and weight inspections. In addition, DMV will respond to public complaints of gross polluters and conduct outreach testing as required.”

CONDITION OF RECORDS

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

Equipment and Software Inventories:

Criteria: The State of Connecticut's Property Control Manual prescribes procedures for the maintenance of equipment and software inventory records, as well as software control policies and procedures. The Manual provides that only State agency authorized software shall be installed or used on State-owned or leased hardware. The use of unlicensed software copies, personally owned software and authorized bulletin board or shareware software is strictly forbidden.

Section 4-36 of the General Statutes requires that agencies report the value of their property inventories to the State Comptroller by October first of each year.

Condition: We noted that the CO-59 Inventory Report for fiscal year ended June 30, 2002 was not submitted to the State Comptroller until October 21, 2002. Expenditures totaling \$133,325 were not properly capitalized and included in that report. Items declared to be missing or lost as a result of the completion of the physical inventory totaling \$187,864 were not deleted from the CO-59 inventory report. We noted that an additional \$85,115 in equipment received prior to June 2002 was not added to the CO-59 inventory report.

Upon examining the weapons safe of the Commercial Vehicle Safety Division, we noted five weapons that did not appear to be properly accounted for by the Department. Four weapons were loaned to DMV by other State agencies, but supporting documentation was unavailable. We also noted that an antique Colt pistol, apparently issued when the Department was established, was on hand. The item had not been appraised for insurance purposes. None of these weapons were included on the Department's official inventory record.

Software inventory records did not identify the computers in which they were installed by inventory tag number or serial number. In addition, we noted that apparent unauthorized software existed on six out of seven PCs reviewed.

Auditors of Public Accounts

Effect: Deficiencies in the control over the equipment inventory result 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. Unauthorized software installed on State computers may present liability due to software copyright violations or increase the risk of a computer virus.

Cause: We attribute an apparent lack of administrative control over fixed assets to be the cause of the conditions.

Recommendation: The Department should improve controls over equipment and software inventories by adhering to procedures promulgated by the State Comptroller's Office, and amend existing Department policy pertaining to utilization of State computers to clearly specify the prohibition of installing personally-owned software or shareware. (See Recommendation 2.)

Agency Response: "The IST Division tracks software and hardware using a commercial software product. Since July 1, 2001 IST has been collecting and entering serial and tag numbers, on a point forward basis, into the system. A reminder will be given to all IST staff about the importance of collecting and entering the serial and tag number information into the tracking system.

DMV's policy with respect to the Utilization of State Computers, E-Mail, Internet Access and Software already reflects the State of Connecticut Software Management Policy Manual and prohibits the installation of personal software. However, we will take steps to remind agency employees of this policy.

As part of the year end reconciliation process DMV will obtain a year end copy of DPW's ACRA59 Project Account trial balance for DMV projects. This report will be reviewed with DPW, our facilities management unit and then reconciled to the CO-59 additions for Real Property. A significant amount of items reported missing in the physical inventory have historically been found when the fiscal office has requested location managers to recheck their areas for the missing items. This has caused a delay in writing off the final missing items. A timetable has been implemented where the missing item list will be forwarded to the Bureau chief and a deadline is given for final review. Fiscal will then have the sufficient time to write off the missing items for the report. Equipment purchased in June of 2002 was posted to the

inventory system as of the day they were entered in July 2002. The dates were not corrected until after the CO-59 was submitted. A corrected CO-59 will be filed and final reports will be printed prior to the report submission date. A list of all weapons has been submitted to the fiscal office to be included in the inventory. Commercial Vehicle Safety will be notified to inform Fiscal services immediately of any changes to their weapons inventory.”

Assignment of State Vehicles:

Criteria: In accordance with Department of Administrative Services’ (DAS) General Letter 115, dated November 1997, long-term vehicle assignments are made to agencies if it is essential to the conduct of agency business; and if it is the most effective method of providing transportation to employees on State business.

Vehicles should be assigned to employees if the use of a personally-owned vehicle is inappropriate or not cost-effective. Home-to-office travel should not be included in the calculation of cost-effectiveness. Requests for vehicle assignment must be made, in writing, to the DAS Director of Fleet Operations. Such requests should include complete justification, usage, estimated mileage, and garaging location. Vehicles shall not be parked overnight in any commuter parking lot except in emergency conditions. The parking of vehicles at home for more than five days in a month is subject to the approval of the Director of Fleet Operations.

In accordance with the State Comptroller’s Memorandum 2002-02 and Section 61 of the Internal Revenue Service Code, each agency should prepare a fringe benefit computation for certain employees who garages a vehicle at home. Section 61 of the Internal Revenue Code defines a “law enforcement officer” as an individual who is a full-time governmental employee responsible for the prevention or investigation of crime. In addition, the individual must be authorized by law to carry firearms, execute search warrants and make arrests. The employee must regularly carry firearms, except when it is not possible to do so due to the requirements of undercover work.

Condition: We noted that seven DMV employees, including two Bureau Chiefs, were assigned vehicles without an apparent State need. Their mileage reports seem to indicate primarily home-to-office travel or travel within the State that appears so limited that a pool vehicle would appear to better suit such needs.

Upon review of mileage reports, we noted three vehicles identified as being parked overnight at commuter or municipal parking lots. We were informed by the Department that requests for vehicle assignments with justification and garaging information were not submitted to the DAS – Director of Fleet Operations until December 2002 for approval.

We found a total of nine Department employees not meeting the definition of law enforcement officer, who garaged their State vehicles at home and did not have a taxable fringe benefit reported.

Effect: Improper and unauthorized assignment of State vehicles constitutes inefficient utilization of State resources thus contributing to increased cost.

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.

Cause: A lack of administrative control is responsible for the current conditions. Additionally, DMV policy provides for the assignment of vehicles to Bureau Chiefs by virtue of the title, regardless of need.

Recommendation: The Department should improve the administration of State vehicles in order to promote adherence to pertinent State policies and Internal Revenue Code provisions, as well as optimize the utilization of resources. (See Recommendation 3.)

Agency Response: “The Department has conducted a comprehensive review of State vehicle assignments and usage. In addition, a review has recently been completed by DAS and DMV as part of the Governor’s Initiative to reduce the State fleet. The completion of the reviews has resulted in a reduction to the DMV fleet of 25 vehicles. In order for all employees to be cognizant of DMV and DAS vehicle usage guidelines/policies all related policies were redistributed to management personnel and staff assigned State vehicles. Corrective action has been taken to provide department compliance with the Department of Administrative Services (DAS) General Letter #115 governing usage and long-term assignment. Notification will be made to staff not meeting the Law Enforcement Exemption requiring compliance with the Internal Revenue Code of Taxable Fringe Benefits.

The Department will establish a vehicle usage team to conduct periodic reviews of vehicle assignments and policy/guideline compliance.”

Systems Security/Exit Interview Process:

Criteria: 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 and access to systems terminated upon an employee’s separation from the Department. Access to systems should also be promptly terminated for hired consultants upon completion of contracted tasks.

An exit interview process can assist an employer in recovering items assigned to employees, as well as enabling the employer to determine the reasons for employees’ departures.

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 approximately 120 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 and a delay in reviewing, approving and implementing proposed policies and actions are responsible for this condition.

Recommendation: The Department should establish an exit interview process to document the prompt recovery of Department equipment, badges, and ID cards for employees, as well as the verification of

termination of system access rights of employees and consultants prior to separating/leaving. (See Recommendation 4.)

Agency Response: “The Information Systems Technology (IST) Division receives a New Hire/Separation Report from the Human Resources Division on a monthly basis. Based on this report, IST initiates actions to cancel, delete or suspend access to our DMV systems. It should be noted that IST does not add or create access for a new employee to DMV systems until written notice, which identifies specific access requirements, is received from an agency manager.

A policy articulating the procedures for recovering agency equipment, badges and ID cards from terminating employees prior to their separation has been developed and is being reviewed for implementation.”

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 amounts that were actually recorded with the amounts 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 5.)

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 systems. The registration and license systems do not hold transaction history records. This prevents DMV from running historical transaction reports. DMV has received funding and has begun the process to upgrade the registration and license system to a relational database system. Upon the completion of this system DMV will be able to produce the historical reports needed to verify system transactions to their related receipts.”

Timely Depositing and Handling of Revenue Shortages/Adjustments:

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. Accordingly, 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.

In accordance with Section 4-33a of the General Statutes, State officials shall promptly notify the Auditors of Public Accounts and the State Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of State funds.

Condition: Our review of the Department’s deposits found that they were generally timely, after taking into account waivers that have been issued by the State Treasurer. However, a review of revenue in the Department’s Mail Operations unit revealed a cash handling practice in which \$5 recording fees for mechanic liens and abandoned vehicles were processed daily by the Title Division, but submitted only once a week to the Mail Operations unit for validation and deposit.

As noted in the previous audit report, time lags from the date of discovery to the date of the actual correcting entry for revenue adjustments, although significantly reduced, still exist.

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.

Upon reviewing cash shortages reported to the DMV Internal Audit unit, we noted seven instances of cash shortages that were not promptly reported to the Auditors of Public Accounts and the State Comptroller. The amounts in question ranged from \$50 to \$200, and did not appear to be attributable to errors in making change. Delays in excess of six months were noted.

Effect: Delays in depositing revenue increases the risk of loss and reduces the opportunity for maximizing investment income. Delays in processing adjustments makes the reconciliation process more cumbersome, and does not provide the State Treasurer with timely data.

Section 4-33a of the General Statutes is not being adhered to.

Cause: It appears that a lack of administrative oversight appears attributable to the condition. Due to the relatively small size of the losses, the Department was reporting these events collectively instead of individually.

Recommendation: The Department should comply with Sections 4-32 and 4-33a of the General Statutes by ensuring the deposit of all revenue, processing of revenue adjustments and distribution of loss reports are done in a timely manner. (See Recommendation 6.)

Agency Response: “Since the issue of untimely depositing of the \$5 fee submitted for recording an Artificer’s Lien or an abandoned motor vehicle filing (Form H-100) was brought to our attention, Title Unit management has implemented processing changes (effective 2/18/03). The current procedure requires that all Artificer Lien/abandoned motor vehicle filings received and accompanied by the \$5 remittance be brought to Customized Services (Mail Operations Unit) on a daily basis for document validation and daily depositing of those receipts.

Loss reports received by Internal Audit will not be held for notification purposes as a batch of collective group. Upon receipt of such a report, notification correspondence will be prepared and distribution of the report to the respective oversight agencies will occur.

The Fiscal Division will process all correcting deposit entries on a daily basis. This will also correct all reconciling items from the daily bank reconciliation.”

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. CVSD records indicate that the unit issues approximately 4,000 tickets per year. To a much lesser extent, the Department’s Dealers and Repairers Division and the DMV detectives also issue citations. These tickets are transmitted to the Judicial Department for enforcement action and collection of the fines. Such forms are pre-numbered to facilitate accountability.
- Condition:* We examined the accountability of citation forms to update the status of our prior audit recommendation. DMV has implemented procedures that have greatly improved the accountability of forms when they are issued to staff. A database of all tickets returned to the CVSD is maintained, but procedures were not in place to compare that data to the record of tickets issued. In addition, those employees outside of CVSD had not been instructed to submit their issued tickets for inclusion in the database, and ticket distribution was not accounted for through 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 fully considered the need for 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 enhanced to provide for the accountability of all pre-numbered ticket forms provided by the Department. (See Recommendation 7.)
- Agency Response:* “The Bureau of Safety and Enforcement has been designated as the control point for processing all pre-numbered citations. Plans call for the citation database currently used in the Commercial Vehicle Safety Division (CVSD) to be expanded to encompass all enforcement units.

We will begin planning for the implementation of a separate database for each enforcement unit's ticket activity. In addition, we will implement a manual process of comparing tickets issued with tickets voided/returned and establish a filing system for tracking any voided/returned tickets. Long-term plans call for the automation of the entire citation system within the Department."

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.
- Condition:* We noted eight instances in which the duties and description of positions in the respective job specifications did not match the responsibilities of the employees filling such positions. For five of these cases, it did not appear that employees were supervising the appropriate number or level of staff.
- Effect:* The Department is not optimizing the use of its personnel resources.
- Cause:* We were unable to determine a specific cause for this condition.
- Recommendation:* The Department should attempt to optimize the use of personnel resources by ensuring employees' responsibilities are commensurate with the job specifications created by the Department of Administrative Services. (See Recommendation 8.)
- Agency Response:* "DMV makes every effort to properly classify and compensate staff for duties performed and responsibilities assumed. However, there are instances in which there is not an established classification that adequately covers the employee's assignment. In those cases, we attempt to utilize classifications that most closely reflect what the employee is doing and properly compensate him/her. Additionally, it is not uncommon for staff to be reassigned to meet agency needs. There are and will continue to be instances in which the new assignment is not a perfect match with the employee's classification. If the assignment is of a short duration, oftentimes no action is taken. If the assignment is of a

longer duration, the normal practice is to either reclassify the individual to a more appropriate classification or to red-circle the position so that, upon it's becoming vacant, it will not be refilled until an audit of the duties is conducted and a determination of the most appropriate classification is made.”

Lack of Authorizing Payroll Documents:

Criteria: Proper internal control and Department policy dictates that employees should sign their timesheets as part of attesting to the accuracy of hours worked and leave time charged.

Section 5-237-1 of the Connecticut State Regulations indicates that annually for each permanent employee, an annual service rating shall be filed in the office of the appointing authority at least three months prior to the employee's annual increase date.

Condition: We tested timesheets for three payperiods and noted twelve employees who appeared to consistently not sign their timesheets. We noted three employees were not evaluated for performance on an annual basis as dictated by State statute and collective bargaining contracts.

Effect: The absence of the employee's signature on timesheets prevents attestation by the employee and increases the risk of incomplete or inaccurate data being posted by the Department's Payroll unit. The failure to perform annual employee evaluations prevents supervisors from utilizing an available tool to manage employee performance, and may result in a lack of support for annual salary increases.

Cause: A lack of administrative oversight appears to have contributed to the conditions. Many of the employees that failed to sign their timesheets were assigned to the field, and not required to return to the office just to complete timesheets.

Recommendation: The Department should increase efforts to ensure that timesheets are signed by the employee prior to issuing payment, and that annual evaluations are performed and documented as required by bargaining contracts and personnel regulations. (See Recommendation 9.)

Agency Response: “The Human Resources Division will make a concerted effort to insure that annual performance evaluations are completed and on

file for each employee as required by collective bargaining contracts and personnel regulations.

Timesheets have been submitted for field personnel by their supervisors in an attempt to expedite the payroll process. These timesheets have arrived without the field personnel's signature. The payroll unit will ensure all timesheets contain both supervisors and employee's signatures including field personnel."

Payments to Separating Employees:

- Criteria:* Proper internal control dictates that separating employee final payroll calculations should be verified by another employee prior to payment.
- Condition:* We noted that five out of 15 payments to separating employees for longevity and accumulated vacation were in error.
- Effect:* The errors in question generally lead to small underpayments.
- Cause:* It appears that the errors were generally due to clerical oversights and longevity rate increases not considered by the DMV Payroll Unit when calculating payments to separating employees.
- Recommendation:* The Department should take steps to improve the accuracy of payments to separating employees. (See Recommendation 10.)
- Agency Response:* "The Department will take steps to verify final payroll calculations, including leave accruals, through computer spreadsheet calculations, and review of all components that may be included in the final check by another fiscal employee prior to the payment."

Administration of Workers' Compensation Cases:

- Criteria:* Section 4-32 of the General Statutes requires State agencies to deposit within 24 hours all amounts received when the total exceeds \$500.

The State Accounting Manual provides that the first check from the Workers' Compensation third party administrator should be deposited in the Petty Cash Fund in accordance with the prompt deposit provisions of Section 4-32 of the General Statutes. A

determination must be made within five days of receipt of the check as to the amounts due the employee and/or the State. Such checks should be received by the Agency for most Workers' Compensation cases that involve lost time.

The State Accounting Manual prescribes the use of a receipts journal to assist in providing internal control over amounts received.

Condition: First checks from the Workers' Compensation third party administrator were not deposited into the Petty Cash Fund in a timely manner. The Department does not maintain a check receipts log for Workers' Compensation checks.

In reviewing Workers' Compensation leave charges, we noted five employees with lost time for which the Department did not pursue a first check from the Workers' Compensation third party administrator.

Effect: Without the timely depositing of first checks from the Workers' Compensation third party administrator, there is an increased risk that the State could sustain a loss of interest on such money and/or checks received may be lost.

The lack of the Department's pursuit of first checks represents a loss of reimbursement to the State.

Cause: It appears that the condition is due to a lack of administrative oversight.

Recommendation: The Department should establish procedures that ensure the pursuit of first checks from the Workers' Compensation third party administrator. In addition, controls over the receipt of such amounts should be enhanced by establishing a cash receipts log for Workers' Compensation checks; and complying with the prompt deposit requirements of Section 4-32 of the General Statutes. (See Recommendation 11.)

Agency Response: "The five instances cited in the audit report in which the Department did not pursue a first check from the Workers' Compensation third party administrator have been corrected. This agency is actively managing Workers' Compensation claims to reduce costs and adhere to State mandates. Our Human Resources and Payroll units are working together to insure that timetables and reporting requirements are adhered.

First checks for Workers' Compensation cases are now being logged into the Fiscal Offices check receipts ledger. These checks are deposited into our petty cash account immediately and a copy is sent to payroll. The petty cash custodian reviews all deposits to verify payroll has issued a disbursement request for the check amount. Payroll will maintain a log of all Workers' Compensation cases that have had payroll information posted to the WC system and require Human Resources intervention. Payroll will use the log to work with HR to expedite the cases.”

Implementation of Telecommuting Procedures:

Criteria: Section 5-248i of the General Statutes provides that the Commissioner of Administrative Services may develop and implement guidelines authorizing telecommuting and work-at-home programs for State employees where such arrangements are determined to be cost effective. Any employee of a State agency may be authorized to participate in a telecommuting (work-at-home) assignment with the approval of the appointing authority and with the approval of the Commissioner of Administrative Services. Approval of such assignment may be granted only where it is determined to be cost effective.

Condition: We noted one employee who worked at home while on maternity leave. Evidence of formal pre-approval of the arrangement by DMV or the Department of Administrative Services was not available. We only noted retroactive approval from the DMV.

The Department's personnel policy manual includes a policy specific to staff working at home. However, we noted that while the policy requires approval of the supervisor, it does not require the approval of the Department's appointing authority or the Commissioner of Administrative Services as provided in Section 5-248i of the General Statutes.

Effect: Established State procedures for telecommuting were not being adhered to.

Cause: It appears that the Department was not fully aware of the State policy regarding telecommuting arrangements.

Recommendation: The Department should abide by the Telecommuting Policy issued by the Department of Administrative Services. The Department

should also amend its work-at-home policy to reflect the requirements of Section 5-248i of the General Statutes. (See Recommendation 12.)

Agency Response: “DMV has an established policy covering working at home by management employees. This policy applies only to managers and other non-bargaining unit employees. This policy is intended to cover all such assignments, including telecommuting. The policy does not include the prior approval of the Commissioner of Administrative Services, as required by statute. The policy will be amended to reflect this requirement.”

Data Processing Disaster Recovery Plan:

Criteria: Sound business practices include provisions that organizations have current disaster recovery plans in place to enable critical operations to resume activity within a reasonable period after a disaster.

Condition: The Department has business contingency procedures in place in the event of a calamity. However, omitted from those procedures was a current disaster recovery plan for data processing applications. DMV does not have arrangements in place to allow for hot site/cold site utilization of its midrange applications housed within DMV facilities. With respect to DMV’s major applications housed within the Department of Information Technology (DOIT), DMV had not entered into a formal agreement with DOIT specifying the responsibilities of each agency with regard to disaster recovery.

Effect: The lack of a comprehensive disaster recovery plan may lead to increased costs to the State due to service interruptions or loss of data from an actual disaster.

Cause: DMV staff appeared to be aware of the need for a disaster recovery plan, but the task was not a high priority because the major applications were regarded to be the responsibility of DOIT.

Recommendation: The Department of Motor Vehicles should expand efforts to create a comprehensive disaster recovery plan. A formal agreement should be entered into with DOIT clarifying the division of responsibilities between DOIT and DMV. (See Recommendation 13.)

Auditors of Public Accounts

Agency Response: “The IST Division currently has four servers used internally to support DMV Core Business functions. The primary backup for our servers is through DOIT, while the secondary backup is at DMV. A formal written request for this agency to participate in the DOIT Disaster Recovery Plan had previously been made to DOIT and we are awaiting that agency’s reply. As a result of this recommendation, a follow-up request will be made to DOIT reflecting the fact that this audit recommendation has been made.”

Documentation of Sales/Use Tax Collected:

Criteria: Sufficient evidence should exist to support the calculation of sales/use taxes for the purchase of motor vehicles.

Section 12-431(b)-1 of the Regulations of Connecticut State Agencies provides that the average trade-in value, as determined by the designated industry publication, shall be used as the basis for determining the sales/use tax due upon the purchase of a motor vehicle from private sales. With respect to vehicles less than seven years old, the sales tax is supposed to be based on the higher of the actual purchase price or the industry publication.

Condition: From an analysis of approximately 400 transactions over a two-day period, we detected 27 sales/use tax transactions that appeared to vary considerably from the industry publication. We found seven transactions that lacked complete supporting documentation of the sales price of the vehicle. We also noted one casual sale for which the sales tax was erroneously based on the bill of sale rather than the higher average trade-in-value.

Effect: Insufficient documentation of the sales price of a vehicle prevents the independent assessment of the accuracy of the applicable tax calculation.

Cause: Department procedures provide for the cashiers to indicate on the registration form that visual verification of the bill of sale was made. This practice does not provide documented evidence on which to base sales/use tax calculation.

Recommendation: The Department should consider, as part of its procedures, obtaining a copy of the bill of sale as audit evidence to support transactions involving sales/use tax calculations. (See Recommendation 14.)

Agency Response: “All Branch Offices and Branch Operation Units received a memorandum providing the established guidelines in determining the method to use to establish the vehicle’s value in order to calculate the correct amount of sales tax due. The correspondence also requested that a copy of the bill of sale should be attached to supporting documentation whenever possible. The agency has also requested a legal interpretation from the Department of Revenue Services on their definition of a “licensed motor vehicle dealer” as it appears in CGS 12-431(a)(1).”

Race Inspection Fees:

Criteria: Section 14-164a, subsection (b), of the General Statutes provides that the Commissioner shall assign an inspector to each such race or exhibition and shall charge the person conducting such race or exhibition a fee for the services of such inspector at a rate of one hundred dollars for four hours or less and two hundred dollars for longer than four hours. In addition, DMV collects a \$75 fee for racing permits.

Conventional business practice dictates that fees should generally correspond to the costs associated with an activity.

Condition: The DMV expended approximately \$54,000 in salary costs during the 2002 fiscal year to oversee the various auto racing events. Revenue from inspection fees during the same period approximated \$26,000, resulting in a deficiency of \$28,000.

Our inquiries as to the role of the race inspectors found that their roles are somewhat limited. State law requires that a full complement of emergency vehicles be on hand for the duration of the events, and the various sanctioning automobile racing organizations are normally represented to enforce rules and safety issues. Therefore, the necessity of having DMV representatives at regular racing events appears questionable.

Effect: While DMV is adhering to the statutory requirements, the Agency apparently shares our concerns because DMV has proposed eliminating the inspections in the 2004 fiscal year. Such action would only be possible with a statutory revision.

Cause: DMV apparently had not compared the fee to the associated costs.

Recommendation: The Department of Motor Vehicles should pursue its budget proposal to eliminate the racing inspections required by Section 14-164a of the General Statutes. In the absence of any success,

DMV should request a fee revision that more closely matches the corresponding costs of providing the service. (See Recommendation 15.)

Agency Response: “A proposal to eliminate the requirement of assigning an Inspector to permitted auto races was included in the Governor’s recommended budget for the FY2003 – FY2005 biennium. If this proposal fails, the Department will seek an increase in the fees the state can charge racetracks for Inspector services from a flat fee to an actual cost basis during the next legislative session.”

Insurance Compliance Process:

Criteria: Section 38a-343a of the General Statutes provides that the Commissioner of Motor Vehicles shall review and analyze data submitted by insurance companies regarding the cancellation of private passenger motor vehicle liability insurance policies for the purpose of determining whether an owner has failed to continuously maintain insurance coverage.

Section 14-12g of the General Statutes provides that when a private passenger motor vehicle liability insurance policy has been cancelled and the Commissioner of Motor Vehicles determines that the registered owner has not met the mandatory security requirements, the Commissioner shall issue to such owner a notice of registration cancellation.

If a registered owner to whom the notice of cancellation was issued does not contest the determination, the Commissioner may enter into a consent agreement with the owner, provided the owner presents satisfactory evidence of mandatory security and pays a civil penalty of one hundred dollars.

Condition: The Department of Motor Vehicles has hired a vendor to detect uninsured vehicles by comparing the records of motorists that are added or deleted from the databases of each insurer. We were informed by DMV staff that if a registrant is uninsured in one month and insured in the next, no warning letter is issued. The process currently in place requires that the vehicle be identified as uninsured for two consecutive months before a warning letter is issued.

Effect: The process in place does not provide strict compliance with Section 14-12g of the General Statutes. Registrants can

manipulate the process by repetitively canceling insurance for periods not exceeding one month.

Cause: This condition was caused in part by the apparent need for DMV to confirm the insurance status of vehicles by determining that they were uninsured at the end of two separate months.

Recommendation: The Department of Motor Vehicles should attempt to strengthen enforcement of uninsured motor vehicles by properly assessing penalties for any periods in which a vehicle is uninsured. (See Recommendation 16.)

Agency Response: “The Department is currently taking the Insurance Compliance process in-house and is working with a new vendor to develop new and improved parameters for the program. One of the intended improvements that reflect the Department’s commitment to strengthening insurance enforcement is the introduction of the lapse file. This file would be developed for the sole purpose of identifying individuals who have breaks in insurance coverage. The key to the success of this file is timely information from the Insurance Companies as well as adequate staffing of the unit.”

Processing of Vendor Payments:

Criteria: Sound business practices include provisions for the review of vendor invoices to verify that amounts charged conform to all contractual requirements and have not been previously paid. Estimated payments should only be made when provided for in contract terms.

The Department of Administrative Services (DAS) has granted emergency purchase authority to agencies when the expenditure is less than \$10,000. Waiver of the competitive bidding requirements for larger expenditures requires the approval of the transaction by the DAS Commissioner.

The Department of Administrative Services issued a contract award for the use of general repair contractors. These contract terms call for caps on labor rates and the markup on materials.

Condition: Our review of expenditures processed by the DMV noted duplicate payments or lost discounts amounting to \$2,700. In addition, we found that DMV was not obtaining sufficient information to verify the markup on parts by contractors performing trade labor services.

DMV performed heating and cooling repairs at a branch office during the period. Each of these repairs exceeded \$10,000, but DMV officials failed to obtain competitive quotations on the premise that emergency conditions existed at the time. Instead, DMV was forced to request retroactive approval by the DAS Commissioner through the Standardization Transaction process. We question the validity of the emergency designation for these repairs since the air conditioner was replaced in December and quoted two months before the work was done.

DMV has traditionally made estimated payments at the end of the fiscal year for photo licenses. Credits are then taken against billings in July and August of the following years. The estimated payments were approximately \$150,000 each year.

Effect: Amounts expended for goods and services may not have been optimized. Prepaying for items without corresponding contractual provisions negatively impacts cash management by reducing the amount available to invest.

Cause: A lack of administrative oversight, combined with staffing changes, contributed to most of these conditions. With regard to the prepayments, DMV had chosen to continue a practice that was in place for some time, despite the fact that DMV is now much better able to calculate amounts to be paid.

Recommendation: The Department of Motor Vehicles should institute procedures to monitor compliance with promulgated purchasing requirements, as well as making use of available licensing data to prevent the need for estimated payments to the vendor providing driver licenses. (See Recommendation 17.)

Agency Response: “The fiscal office will recoup the discount from the vendor.

To eliminate duplicate payments, payment ledgers will be attached to all open purchase orders in the future to reference payments that have already been made.

The trade labor contract allows for material cost markups to be determined through vendors submitting their invoices and calculating the allowed markup. DMV will include a clause in each purchase order that will require vendors to submit invoices for material so that the markup and cost can be verified prior to payment. Vendors will be informed that failure to submit the

required material invoices will result in non-payment of the claim until material invoices are received.

The fiscal office will review all purchasing policies and procedures needed, for emergency repair, with the facility maintenance staff. Facility maintenance will develop internal procedures to follow in emergency situations. Prior to the procedures being implemented they will be reviewed and approved by the Fiscal and Internal Audit units.

The last payment of the fiscal year for photo licenses will be processed with the latest actual data available, just prior to year-end.”

Case Backlogs within Investigative Units:

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.

DMV’s Dealers and Repairers Unit is responsible for licensing facilities and investigating complaints against licensees. These complaints could relate to vehicle sales and warranty issues, repair practices, or towing and storage issues.

Criteria:

Proper internal control dictates that for purposes of case management, a chronological log of significant actions taken should be maintained for each investigative case assigned. Prompt investigation of cases is desirable to resolve potentially significant internal control deficiencies and perhaps inhibit continued activities that are not in compliance with laws and regulations. Case management databases should provide up-to-date information on all cases.

In order to efficiently promulgate findings and recommendations to management, as well as justifying time spent on a case, reports

should be promptly reviewed by supervisors and distributed as deemed necessary.

Condition:

At the time of our inquiry, the detective unit had a backlog of 61 open cases, 23 of which were more than six months old. We noted that for the cases reviewed, no chronological action log was maintained for purposes of identifying investigative steps taken and current case status. Reports prepared by the detectives are not normally reviewed and approved by the Division Chief.

Reports produced by the Dealers and Repairers Unit indicated a total of 837 open cases at the time of our inquiry. Only 225 of these cases were regarded as current, and 216 cases were over six months old. Further review found that approximately 40 of the older cases were wrecker inspections. These inspections had been performed, but delays in producing reports to the supervisors caused these cases to remain open for up to two years.

Reviews were done of 31 of the cases open more than 180 days. Eight of these cases appeared to essentially be closed, yet the case management database still reflected them as open cases. Six of the cases had apparently become stagnant, with no activity in over six months.

Effect:

The backlog in the investigation of cases may hinder timely resolution of matters and increase the risk that practices contrary to the safety or financial interests of the public may continue. Public confidence in the governmental function is reduced if there is no evidence of complaints receiving attention. The failure to require timely reports from staff prevents distribution of any findings, and reduces the accountability of time spent by staff. The lack of accurate data in case management databases reduces the value of the system as a managerial tool.

Cause:

A lack of administrative oversight resulted in these conditions.

Recommendation:

The Department should take action to reduce the backlog of open cases assigned to the Detective and the Dealers and Repairers unit, as well as instituting procedures calling for the timely resolution of complaints and production of reports. A chronological log should be kept for each case. (See Recommendation 18.)

Agency Response:

“Previous modifications to the D&R complaint processing system have addressed many issues raised by the Auditors. A system has

been implemented in D&R for case review with emphasis on “office resolution” rather than “field resolution”. A revised field case assignment system has been implemented to decrease case resolution time. Enhanced computerization has resulted in greater case tracking including case status and resolution. This system also provides accountability of staff time per assigned case and a chronological log for each case is maintained. Implementation will begin shortly on the issuing of monthly reports on case status and workload analysis. All back cases are currently being reviewed for disposition and priority clearance.

A case management system has been implemented in Investigative Services Unit (ISU) to track all requests for services, complaints, and investigation cases. A computerized system in ISU has been implemented which tracks cases from receipt to disposition. ISU also has implemented a “case jacket” tracking system to monitor and record a chronological log of significant actions on the individual case.

A weekly case management review by a supervisor has been implemented in ISU, which includes the review of case reports and investigative status. A monthly report is issued to further monitor all cases and their current status.

A system has been established that provides for a case review for investigative priority and referrals are made to appropriate units or Agencies (DMV Branch Operations, ISU, D&R, Internal Audit, State Police or other outside units as necessary). All back cases are currently being reviewed for disposition and priority clearance.”

Authority of Commissioner and Deputy Commissioners:

Criteria: Section 14-8 of the General Statutes grants the Commissioner, Deputy Commissioners and inspectors of DMV police powers with respect to motor vehicle offenses.

Section 7-294d, subsection (e), of the General Statutes requires that individuals exercising police powers receive training from the Police Officer Standards and Training Council (POSTC).

Condition: The DMV does not include the Commissioner and Deputy Commissioners when requiring and monitoring the attainment of necessary certifications of its employees. While we are unaware of any actual instances of these officials attempting to exercise the authority granted to them, it appears that these DMV officials

would be prohibited from exercising such powers unless they maintain POSTC certification.

Effect: While the appointed officials seem to have been granted authority to exercise police powers, they do not appear to have the legal right to exercise them without certification from POSTC. The use of such authority by untrained individuals presents potential legal and safety risks.

Cause: Section 14-8 of the General Statutes precedes by many years the creation of the POSTC certification requirements. It appears that DMV had not been prompted to consider the condition because such authority had not been exercised or challenged in recent years.

Recommendation: The DMV should evaluate the potential benefits of the police authority granted by Section 14-8 of the General Statutes and consider either providing the requisite training for certification by the Police Officer Standards and Training Council or revising the Statute. (See Recommendation 19.)

Agency Response: “It is our understanding that the Commissioner does not wish to perform police functions, or wish the Deputies to do so. We believe this matter can be closed by a memorandum from the Commissioner to the Deputies addressing the issue of authority to exercise police powers.”

Implementation of Programs and Regulations:

Criteria: Public Act 00-202, codified as Section 14-11d of the General Statutes, provides that the Commissioner of Motor Vehicles, within available appropriations, shall establish an annual safety inspection program for fire department apparatus. Said Section also requires the adoption of implementing regulations.

Section 6 of Public Act 99-268, codified as Section 14-271a of the General Statutes, provides that the Commissioner of Motor Vehicles shall adopt regulations, in accordance with Chapter 54 of the General Statutes, specifying limits for weakening of vehicle frames or equivalent structures, including weakening through loading, damage or corrosion or any combination thereof.

Section 13b-99 of the General Statutes provides that taxicabs may be inspected by authorized repairers in lieu of the Department of Motor Vehicles. Section 13b-99-2 of the Connecticut State

Regulations states that only the Department of Motor Vehicles may conduct inspections of taxicabs.

Condition: At the time of our inquiry, an annual safety inspection program for fire department apparatus was not operating. In addition, corresponding regulations had not yet been established.

DMV had not yet adopted Regulations in accordance with Section 14-271a of the General Statutes.

We noted an apparent conflict between Section 13b-99 of the General Statutes and Regulation 13b-99-2 of the Regulations of Connecticut State Agencies. The Statute provides that DMV authorized repairers may conduct inspections of taxicabs, while the Regulation indicates that only the DMV may conduct such inspections.

Effect: The absence of an annual safety inspection program for fire department apparatus increases the risk that defective equipment will not be detected, thus jeopardizing public safety.

The lack of State regulations where so designated in the State Statutes or the failure to update State regulations may hinder the effectiveness of the DMV programs.

Cause: The elimination of the fire apparatus inspections was attributed to a lack of staff. The other conditions were due to a lack of administrative oversight.

Recommendation: The Department should make an effort to re-establish the annual safety inspection program for fire department apparatus and take steps to ensure that State regulations are in place and consistent with State Statutes where required. (See Recommendation 20.)

Agency Response: “DMV will reinstate inspections on active fire apparatus upon request of individual fire companies. This program will be implemented to the extent possible within the confines of our existing resources. The first phase of implementation will be in the form of an informational mailing to fire departments to announce this service and to assess possible workload and assist in scheduling. Regulations for the inspection of fire apparatus will be drafted and submitted for necessary administrative action in accordance with Section 14-11d of the Connecticut General Statutes.

DMV will research and begin the process of formulating the proper regulations based on industry standards to implement provisions referenced in Section 14-271a of the Connecticut General Statutes.

Changes to Regulation 13b-99-2 have been drafted to resolve conflict with Section 13b-99 of the Connecticut General Statutes.

Current Agency policy provides that DMV inspect taxis new to service or in violation of semi-annual inspection requirements. Any Connecticut Licensed Dealer or Repairer is allowed to perform the semi annual inspection. Conformity with State Statutes will be accomplished by the revision and approval of the new Regulations.”

Procedures for the Impoundment of Uninsured Vehicles:

Criteria: Section 14-12g through 14-12n of the General Statutes require the maintenance of insurance on motor vehicles. The laws permit the cancellation of the registration of uninsured vehicles, and provide for the impoundment of such vehicles.

Condition: Our prior report noted that it appeared the intended result of the Statutes was not being achieved. The Department of Motor Vehicles performed its own study of the matter, and concurred. In response to the recommendation, the DMV stated its intention of repealing the forfeiture provisions of the Statutes. The proposed legislation never passed, and DMV has not adopted procedures to comply with the provisions.

Effect: The intended result of the Statutes continues to go unmet.

Cause: The Department of Motor Vehicles was relying on the proposed legislation to alleviate the condition. As a result, procedures were not implemented to institute compliance with the laws.

Recommendation: The Department of Motor Vehicles should continue efforts to repeal the provisions of Sections 14-12g through 14-12n of the General Statutes that call for the forfeiture and sale of uninsured vehicles. Absent a successful repeal, the Department should implement procedures designed to achieve the intent of the law. (See Recommendation 21.)

Agency Response: “The Statutes referenced became effective on October 1, 1998. To the best of our knowledge, there has not been a single forfeiture

sale of an uninsured motor vehicle. The Department has never received a report of any such sale from the State's Attorney's Office. We agree that these sections should be repealed. The Department may wish to request that OPM make the repeal request of Sections 14-12m and 14-12n in the context of the budget legislation. The police would still be authorized to impound uninsured motor vehicles in the same manner as unregistered vehicles."

RECOMMENDATIONS

Our previous audit report contained 16 recommendations pertaining to Agency operations. There has been satisfactory resolution of seven of those recommendations. Follow-up on one additional recommendation has been covered as part of a performance audit of the State's enforcement of laws related to overweight vehicles. The eight remaining recommendations have been restated to reflect current conditions. Thirteen 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 examine procedures providing for the impoundment and forfeiture of uninsured vehicles so that timeframes can be adhered to and the sale of forfeited vehicles can be economical. The Department determined that the forfeiture provisions could not be carried out effectively, but an attempt to repeal the law was unsuccessful. (See Recommendation 21.)
- The Department should examine the applicability of the additional 50 percent surcharge imposed by Section 13b-70 of the General Statutes to the assessment of fines and bonds paid as a result of overweight commercial vehicles. Our Performance Audit entitled "Overweight/Oversize Commercial Vehicles" dated June 2003 examined the issue of these fines.
- The Department should improve controls over equipment and software inventories by adhering to procedures promulgated by the State Comptroller's Office. This recommendation is being repeated. (See Recommendation 2.)
- The Department should exercise more care in the retention of necessary documentation of promotions by reclassification. This recommendation has been adequately addressed.
- The Department should ensure employees' responsibilities are commensurate with the job specifications created by the Department of Administrative Services. This recommendation is being repeated. (See Recommendation 8.)
- The Department should improve administration of State vehicles to promote adherence to pertinent State policies and Internal Revenue Code provisions. This recommendation is being repeated. (See Recommendation 3.)
- 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. This recommendation is being repeated. (See Recommendation 4.)

- The Department should prepare accountability reports for the primary sources of revenue. This recommendation is being repeated. (See Recommendation 5.)
- The Department should process revenue adjustments in a more timely fashion, and consider establishing a process to reconcile fee shortages to collections. This recommendation is being repeated. (See Recommendation 6.)
- The Department of Motor Vehicles should review accounts receivable aging reports and write-off amounts that are deemed uncollectible. This issue has been adequately addressed.
- Procedures should be implemented to provide for the accountability of pre-numbered citations for violations. While DMV has made progress in this area, we are repeating the recommendation. (See Recommendation 7.)
- 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. This issue has been adequately addressed.
- 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. The Agency has adequately responded to this recommendation.
- The Department should implement procedures to monitor the propriety of employee usage and the accuracy of telephone charges incurred. This recommendation has been addressed.
- 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. The termination of the previous emissions contract has eliminated this condition.
- 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. This area has been adequately addressed.

Current Audit Recommendations:

- 1. The Department of Motor Vehicles should take steps to implement testing procedures and enforcement provisions for the Diesel Commercial Vehicle Inspection Program in accordance with the provisions of Section 14-164i of the General Statutes.**

Comment:

The Department does not have a process in place to ensure that all affected vehicles are tested on a regular cycle. In addition, DMV does not have a sufficient process in place to track repeat offenders or suspend the registrations of violators that fail to provide evidence of repairs.

- 2. The Department should improve controls over equipment and software inventories by adhering to procedures promulgated by the State Comptroller's Office, and amend existing Department policy pertaining to utilization of State computers to clearly specify the prohibition of installing personally-owned software or shareware.**

Comment:

The Department's CO-59 Inventory Report was not submitted to the State Comptroller's Office by the statutory deadline. Errors approximating \$400,000 were noted on that report. Procedures used to account for computer software and firearms on loan from another agency were insufficient.

- 3. The Department should improve the administration of State vehicles in order to promote adherence to pertinent State policies and Internal Revenue Code provisions, as well as optimize the utilization of resources.**

Comment:

DMV employees were apparently assigned vehicles without a clear business need. Nine employees appear to have avoided taxable fringe benefits for vehicle use by erroneously being classified as law enforcement officers.

- 4. The Department should establish an exit interview process to document the prompt recovery of Department equipment, badges, and ID cards for employees, as well as the verification of termination of system access rights of employees and consultants prior to separating/leaving.**

Comment:

The logon identifications of 120 former employees or consultants were not removed from the system. A documented exit interview process was not in place.

5. The Department should prepare accountability reports for the primary sources of revenue.

Comment:

A comparison of transactions processed by the cash accounting system was not compared to changes in the Department's databases.

6. The Department should comply with Sections 4-32 and 4-33a of the General Statutes by ensuring the deposit of all revenue, processing of revenue adjustments and distribution of loss reports are done in a timely manner.

Comment:

The deposit of certain miscellaneous fees was not performed in accordance with the timeliness provisions of Section 4-32 of the General Statutes. Delays in the preparation of correcting entries continued during the audited period. Seven reports of cash shortages were not reported immediately as required by Section 4-33a of the General Statutes.

7. Procedures should be enhanced to provide for the accountability of all pre-numbered ticket forms provided by the Department.

Comment:

The Department did not regularly compare the ticket numbers issued to those returned. In addition, not all ticket forms issued by the Department were under the same internal control structure.

8. The Department should attempt to optimize the use of personnel resources by ensuring employees' responsibilities are commensurate with the job specifications created by the Department of Administrative Services.

Comment:

We continued to note instances in which job specifications did not match the responsibilities of the position.

9. The Department should increase efforts to ensure that timesheets are signed by the employee prior to issuing payment, and that annual evaluations are performed and documented as required by bargaining contracts and personnel regulations.

Comment:

Twelve employees did not regularly attest to the accuracy of their timesheets by signing them. Three employees were not evaluated annually as required by collective bargaining provisions.

10. The Department should take steps to improve the accuracy of payments to separating employees.

Comment:

Five out of 15 sampled payments to separated employees were found to be incorrect.

11. The Department should establish procedures that ensure the pursuit of first checks from the workers' compensation third party administrator. In addition, controls over the receipt of such amounts should be enhanced by establishing a cash receipts log for workers' compensation checks; and complying with the prompt deposit requirements of Section 4-32 of the General Statutes.

Comment:

First checks for workers' compensation claims were not deposited in a timely manner. Five instances were noted in which the Department did not pursue payments from the third party administrator.

12. The Department should abide by the Telecommuting Policy issued by the Department of Administrative Services. The Department should also amend its work-at-home policy to reflect the requirements of Section 5-248i of the General Statutes.

Comment:

The Department's policy on working at home was not consistent with policies established by the Department of Administrative Services.

13. The Department of Motor Vehicles should expand efforts to create a comprehensive disaster recovery plan. A formal agreement should be entered into with DOIT clarifying the division of responsibilities between DOIT and DMV.

Comment:

A current disaster recovery plan was not in place for the Department of Motor Vehicles.

- 14. The Department should consider, as part of its procedures, obtaining a copy of the bill of sale as audit evidence to support transactions involving sales/use tax calculations.**

Comment:

An analysis of two days' transactions found eight that lacked sufficient support for the amount of sales tax collected.

- 15. The Department of Motor Vehicles should pursue its budget proposal to eliminate the racing inspections required by Section 14-164a of the General Statutes. In the absence of any success, DMV should request a fee revision that more closely matches the corresponding costs of providing the service.**

Comment:

The cost of administering the racing inspections exceeds the revenue derived from the statutory fees. In the vast majority of circumstances, the benefit of the inspections was questionable.

- 16. The Department of Motor Vehicles should attempt to strengthen enforcement of uninsured motor vehicles by properly assessing penalties for any periods in which a vehicle is uninsured.**

Comment:

The current process requires a registrant to be uninsured for at least two consecutive months before being flagged as noncompliant.

- 17. The Department of Motor Vehicles should institute procedures to monitor compliance with promulgated purchasing requirements, as well as making use of available licensing data to prevent the need for estimated payments to the vendor providing driver licenses.**

Comment:

Duplicate payments and/or lost discounts amounted to \$2,700 during the period. The practice of making estimated payments at the end of the year for drivers licenses no longer seems warranted.

- 18. The Department should take action to reduce the backlog of open cases assigned to the Detective and the Dealers and Repairers Unit, as well as instituting procedures calling for the timely resolution of complaints and production of reports. A chronological log should be kept for each case.**

Comment:

We noted 23 cases assigned to the Department's Detective Unit that were over 6 months old. In addition, 216 cases from the Dealers and Repairers Unit were over six months old, some for as long as two years.

- 19. The DMV should evaluate the potential benefits of the police authority granted by Section 14-8 of the General Statutes and consider either providing the requisite training to permit certification by the Police Officer Standards and Training Council or revising the Statute.**

Comment:

The arrest powers granted under Section 14-8 of the General Statutes cannot be carried out by an employee that is not certified by the Police Officer Standards and Training Council. The Commissioner and Deputy Commissioners of DMV have traditionally not received the training necessary to obtain such certification.

- 20. The Department should make an effort to re-establish the annual safety inspection program for fire department apparatus and take steps to ensure that State regulations are in place and consistent with State Statutes where required.**

Comment:

Annual inspections of fire apparatus were not being performed. Regulations had not yet been adopted in accordance with Section 14-271a of the General Statutes. An apparent conflict exists between Section 13b-99 and the corresponding Regulations with respect to the inspection of taxicabs.

- 21. The Department of Motor Vehicles should continue efforts to repeal the provisions of Sections 14-12g through 14-12n of the General Statutes that call for the forfeiture and sale of uninsured vehicles. Absent a successful repeal, the Department should implement procedures designed to achieve the intent of the law.**

Comment:

Efforts by the Department to repeal the forfeiture provisions were not successful. In addition, procedures were not implemented to improve the results of the program.

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, 2000, 2001, and 2002. 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, 2000, 2001, and 2002, 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, 2000, 2001, and 2002, 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 Post
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts