

# STATE OF CONNECTICUT



***AUDITORS' REPORT  
DEPARTMENT OF MOTOR VEHICLES  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 and 2006***

**AUDITORS OF PUBLIC ACCOUNTS**

KEVIN P. JOHNSTON ❖ ROBERT G. JAEKLE

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July 25, 2008

**AUDITORS' REPORT  
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We have made an examination of the financial records of the Department of Motor Vehicles (DMV) for the fiscal years ended June 30, 2005 and 2006. 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 various contractors, the State's auto emissions inspection program.

Gary J. DeFilippo served as Commissioner during the audited period. He was succeeded on February 1, 2005, by Ralph J. Carpenter. Deputy Commissioner William Ramirez was appointed as Commissioner on August 4, 2006, and served until the appointment of Robert Ward as Commissioner on January 4, 2007.

**Legislative Changes:**

Significant legislative changes enacted during the audited period are described below:

Public Act 05-127 was passed to help facilitate DMV's transition to the new license classification and endorsement system that was authorized by Public Act 04-217. The Act eliminates the need for DMV to recall valid licenses that are already in operators' possession in order to reissue them with the new designations and extended to January 1, 2006 the deadline for DMV to begin issuing licenses under the new classification system. The Act was effective from passage.

Public Act 05-215, effective October 1, 2005, revised various statutes governing driver's license suspensions and the eligibility for a work permit.

Public Act 05-218, Section 4, authorizes DMV to require each applicant for a motor vehicle registration to furnish personal identification satisfactory to the Commissioner, and if they have established residence in this state for more than 30 days, to obtain a Connecticut driver's license or identity card as a condition to be issued a registration. This provision was effective July 1, 2005.

Public Act 05-218, Section 7, delayed from January 1, 2005 to September 1, 2005, the requirement that DMV request copies of driving records from every state in which a commercial drivers license applicant previously held a license. This Section was effective from passage.

Public Act 05-218, Section 11, amended Section 14-103 of the General Statutes by requiring inspections of service buses before issuance and each renewal of registrations. There will be no fee for inspection of a service bus owned by the State or a municipality, and DMV is authorized to use the services of licensed dealers and repairers or conduct the inspections. This provision was effective July 1, 2005.

Public Act 05-218, Section 14, provides that effective July 1, 2005, each student transportation vehicle is to be inspected prior to initial registration and before each registration renewal.

Public Act 05-282, effective October 1, 2005, made several changes to simplify the administration of DMV's insurance compliance and enforcement responsibilities. The registration cancellation mechanism for vehicles operating without the mandatory insurance was replaced with a registration suspension process, eliminating the need to issue a new registration once an insurance case has been settled. This Act also increased the civil penalty a vehicle owner must pay when entering into a consent agreement with the DMV to rescind a registration suspension from \$100 to \$200.

Public Act 05-3 of the June Special Session postponed the vision screening requirement that was scheduled to take effect July 1, 2005 to July 1, 2007. Accordingly, prior to every other

license renewal, all drivers must undergo a vision screening performed by DMV staff or a licensed health care professional within the preceding 12 months.

Special Act 05-1, Section 2, of the June Special Session authorized bonding for the upgrade of motor vehicle technology systems, including registration, suspension, driver services and driver license systems in an amount not exceeding \$10,000,000.

Section 1 of Public Act 06-130 eliminated the requirement that persons applying for a motor vehicle registration provide social security numbers. This Act corrected an oversight in Public Act 03-3 of the June Special Session.

Section 6 of Public Act 06-130 repealed the criminal penalties for the violation of laws governing commercial driving schools licensed by the DMV and instead provides DMV with the authority to, after a hearing, suspend or revoke the license or impose a civil penalty of up to \$1,000 for each violation.

Sections 10 and 11 of Public Act 06-130 permits the DMV to supply reports to entities engaged in providing public transportation containing the names and driver's license numbers of individuals whose licenses have been withdrawn, suspended, or revoked. The reports are required to be issued and updated periodically in accordance with a schedule adopted by the Commissioner.

Public Act 06-161 requires the DMV to charge a \$5 greenhouse gas reduction fee, starting January 1, 2007, when new motor vehicles are registered.

Public Act 06-186 revised the DMV budget of the 2007 fiscal year by providing an additional \$1,987,000 for the hiring of nine additional commercial vehicle safety inspectors, to upgrade and add security measures to prevent fraudulent issuance of driver's licenses, conversion of the registration expiration sticker from the marker plate to the windshield, and additional branch office staff.

**RÉSUMÉ OF OPERATIONS:**

**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:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Registrations	\$180,109,861	\$180,002,221	\$172,971,223
Temporary registrations	9,116,220	9,656,300	6,298,527
Operator licenses	33,383,500	39,420,165	34,939,889
Inspection of motor vehicles	3,474,102	3,576,497	3,763,113
Certificates of title	21,083,410	22,216,735	22,847,970
License examinations	6,469,482	6,358,904	6,174,086
Late fees, fines and costs	10,729,757	9,922,267	9,984,806
Interstate carrier permits	3,228,945	3,167,170	3,081,335
Safety plate fees	2,841,668	2,974,769	3,018,012
Emissions late fees	306,504	-0-	320
Emissions exemptions - 4 years	9,392,080	10,049,840	10,179,800
Sale of commercial information	30,695,779	29,323,244	26,114,734
Federal Clean Air Act	8,842,462	8,952,988	8,959,876
All others	<u>7,354,802</u>	<u>7,047,822</u>	<u>19,736,432</u>
Total	<u>\$327,028,572</u>	<u>\$332,668,922</u>	<u>\$328,070,123</u>

In accordance with the provisions of Section 14-49b of the General Statutes, 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.

The sale of commercial information consists primarily of driving history records supplied to insurance companies through a contractor.

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:

	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Personal Services	\$38,086,698	\$34,831,601	\$32,474,120
Other Expenses	14,741,092	14,793,497	14,121,077
Equipment	687,249	104,422	747,550
Reflective License Plates	810,146	318,813	69,290
Insurance Enforcement	453,316	592,439	346,693
Other	<u>519,320</u>	<u>706,257</u>	<u>931,492</u>
Total	<u>\$55,297,821</u>	<u>\$51,347,029</u>	<u>\$48,690,222</u>

**Special Revenue Funds – Federal and Other Restricted Accounts:**

As previously explained, beginning with the 2003-2004 fiscal year, Federal grant and other restricted account activity previously recorded in the General and Transportation Funds was recorded by the Comptroller in newly established Special Revenue Funds.

A summary of Fund expenditures is presented below:

	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	\$	\$	\$
Salaries	1,910,865	1,424,458	1,359,667
Other expenses	2,142,205	2,141,071	6,502,360
Equipment	<u>(51,779)</u>	<u>154,984</u>	<u>165,088</u>
Total	<u>\$ 4,001,291</u>	<u>\$ 3,720,513</u>	<u>\$ 8,027,115</u>

**Emissions Enterprise 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 Vehicle and Business Regulation Bureau was responsible for the regulatory functions of the program and for monitoring the contractor for contract compliance. The Emissions Enterprise Fund accounts for the operations of the program.

**Auditors of Public Accounts**

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The following summary shows revenues and expenditures of the Fund during the audited period:

	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Revenue:			
Inspection fees	\$ -	\$ -	\$ 190,348
Investment income	<u>414,258</u>	<u>287,061</u>	<u>120,245</u>
Total Revenue	<u>414,258</u>	<u>287,061</u>	<u>310,593</u>
Expenditures:			
Personal services and Fringe Benefits	6,583,135	5,879,827	3,906,623
All other expenditures	<u>1,174,523</u>	<u>563,846</u>	<u>858,920</u>
Total Expenditures	<u>7,757,658</u>	<u>6,443,673</u>	<u>4,765,543</u>
Excess of Revenue over Expenditures	(7,343,400)	(6,156,612)	(4,454,950)
Appropriation Transfer	1,600,000	6,500,000	6,500,000
Fund Balance at Beginning of Year	<u>12,706,815</u>	<u>12,363,427</u>	<u>10,318,377</u>
Fund Balance at End of Year	<u>\$ 6,963,415</u>	<u>\$ 12,706,815</u>	<u>\$ 12,363,427</u>

DMV no longer receives testing fees or makes payments to the emissions contractor. Instead, fees go directly to the contracted vendor and the repair facilities that participate in the emissions testing program. In accordance with Section 14-164m of the General Statutes, the State Comptroller makes quarterly transfers from the Special Transportation Fund to the Emissions Enterprise Fund. In accordance with the provisions of Public Act 05-3 of the June Special Session, the amount transferred during the 2006 fiscal year was \$1,600,000.

**Other Receipts:**

DMV utilizes the State's Pending Receipts Fund to account for fees collected on behalf of other states under the International Registration Program, title security bonds in the form of cash and all other cash bonds. Total deposits were \$3,167,170 and \$3,228,945 during the fiscal years ended June 30, 2005 and 2006, respectively.

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

	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Sales tax	\$ 68,418,669	\$ 69,719,828	\$ 71,275,492
Federal Clean Air Act fee	6,534,573	6,616,180	6,621,546
Boat registrations	5,369,300	5,310,816	5,242,343
Long Island Sound plates	210,565	215,828	220,553
Motorcycle rider education	198,029	201,872	177,104
Other miscellaneous receipts	<u>122,183</u>	<u>123,998</u>	<u>123,132</u>
	<u>\$ 80,853,319</u>	<u>\$ 82,188,522</u>	<u>\$ 83,660,170</u>

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In addition to the above receipts, DMV collected \$1,231,925 allocated to the Transportation Strategy Board in the fiscal year ended June 30, 2004. A transfer of \$11,618,302 also occurred during that year.

**State Capital Projects:**

Expenditures for State capital projects totaled \$65,636 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.

## CONDITION OF RECORDS

Areas in need of improvement are presented in this section of the report.

### **Meetings of the Motor Carrier Advisory Council:**

- Criteria:* Section 14-11c, subsection (c), of the General Statutes, provides that the Motor Carrier Advisory Council shall convene a meeting upon the commencement and close of each regular session of the General Assembly, as well as at the call of the chairperson, “provided the council shall meet, notwithstanding the provisions of subdivisions (1) and (2) of this subsection, at least semiannually.” We have interpreted this to require at least four meetings per year.
- Section 1-225 of the General Statutes provides that the regular meetings of all public agencies shall be open to the public. Each such agency is required to file with the Secretary of the State a schedule of its regular meetings for the coming year by January 31<sup>st</sup>.
- Condition:* The Motor Carrier Advisory Council only held annual meetings during the audited period, and did not file its meeting schedules with the Secretary of the State.
- Effect:* The failure to hold the required number of meetings per year and publish a schedule of meetings appears to violate the law and impedes public participation.
- Cause:* The Department interprets the meeting requirements to require two meetings per year. A lack of administrative control also contributed to this condition.
- Recommendation:* The Department of Motor Vehicles should clarify the statutory meeting requirements of the Motor Carrier Advisory Council and initiate steps to have the Council comply with the public meeting requirements of Sections 14-11c, subsection (c), and 1-225 of the General Statutes. (See Recommendation 1.)
- Agency Response:* “The Agency has interpreted the statutory requirements regarding meetings for the Motor Carrier Advisory Council differently than the Auditors. DMV believed that the requirement was for two meetings to be held annually. However, during the most recent legislative session, the agency proposed a statutory amendment to clarify the number of required meetings as well as when such are

to be held. Section 41 of Public Act 08-150, effective July 1, 2008, clarifies that regular meetings are required to be held twice per year and that additional meetings may be convened at the call of the Chairperson. The agency has notified the Secretary of the State's Office with respect to the meetings scheduled this year. DMV will notify the Secretary of State's Office in the future of all scheduled meetings as required."

**Establishment of Regulations as Required by Statute:**

*Criteria:* Section 14-63, subsection (b), of the General Statutes requires the Commissioner of Motor Vehicles to adopt regulations pertaining to the process of handling customer complaints against dealers and repairers.

Section 14-271a of the General Statutes requires the Commissioner to adopt regulations specifying limits for the weakening of vehicle frames or equivalent structures.

Section 14-42a, subsection (b), of the General Statutes provides that the Commissioner shall include in regulations, adopted pursuant to Section 14-36f, a requirement that a description of the purposes and procedures of organ procurement organizations be included in driver education programs.

Section 15-144, subsection (e), of the General Statutes provides that the Commissioner of Motor Vehicles shall adopt regulations to permit marine dealers, as defined by Section 15-141, to submit most documents related to the registration or sale of vessels by electronic means.

Section 14-11d of the General Statutes requires the Commissioner to establish regulations pertaining to the annual inspection of fire apparatus. This requirement has been in place since the passage of Public Act 00-202.

*Condition:* At the time of our review, regulations had not been established or amended as needed for each of the statutory references cited above. With regard to the fire apparatus inspections, a fee has been set without the existence of regulations that would detail the amount of effort entailed in an inspection.

*Effect:* The failure to promptly establish or amend relevant Regulations may prevent certain programs from operating effectively and consistent with the intent of the Department. An assessment of the

appropriateness of the fees is difficult if the scope of the inspection is not in writing.

*Cause:* These omissions appear to have been an oversight on the part of the Department.

*Recommendation:* The Department of Motor Vehicles should increase efforts to promptly enact new or amended Regulations wherever called for by the General Statutes. (See Recommendation 2.)

*Agency Response:* “The Department of Motor Vehicles is reviewing regulations that require establishment and/or updating. Of the five regulations referenced, one has been adopted, two are in the adoption process and the others are in the draft process. The establishment and/or updating of regulations is an ongoing process and will continue to be addressed.”

**Reporting Requirements of Section 4-33a of the General Statutes:**

*Criteria:* Section 4-33a of the General Statutes requires that breakdowns in the safekeeping of State resources be reported promptly to the State Comptroller and the Auditors of Public Accounts.

*Condition:* During a review of administrative files in the custody of the Human Resources Division, we noted the following:

- An employee allegedly stole a registration sticker for use on a personally owned vehicle.
- An employee received a written warning for falsifying timesheets.
- The investigation of an inspector by the Human Resources Unit (who ultimately was terminated for accepting inappropriate gifts) was never presented to the Internal Audit Unit for consideration as to whether the matter should have been reported.

A review of Internal Audit reports issued during the audited period found the following:

- Deposits of the Driver Services Division were found by the Internal Audit Unit to not be made in accordance with the provisions of Section 4-32 of the General Statutes, but these instances were not reported as required.

- Losses at two branch offices were not reported in accordance with the Statute.

*Effect:* The failure to report these issues prevented the opportunity for a timely independent review by the Comptroller or the Auditors in order to examine internal controls and avoid similar occurrences. It also prevented an independent review of the matter to determine if the scope of the condition went beyond what was identified by DMV.

*Cause:* This condition resulted in part because DMV's internal auditor was never made aware of the conditions, and the auditor is generally assigned the task of reviewing and reporting such matters.

*Recommendation:* The Department of Motor Vehicles should initiate procedures to provide for the reporting of the misuse of State funds as required by Section 4-33a of the General Statutes. (See Recommendation 3.)

*Agency Response:* "The Department of Motor Vehicles' Human Resources Division will begin to notify Internal Audit when it is required to handle/investigate sensitive personnel cases pertaining to the misuse of State funds. The notification will be on a generic report format only divulging the necessary information required for the reporting of misuse."

### **Administration of Complaints Received by the Commissioner:**

*Criteria:* As a State agency that regularly receives complaints from citizens, DMV should have a process in place to provide assurance to management that the complaints are independently investigated and the results accurately reported to the Commissioner. Tracking these complaints from the date received to the date resolved should be part of such a process.

The Department has available to it the resources of the Internal Audit Unit and an Investigatory Unit to handle complaints of an internal control or criminal nature, respectively. An independent review of the more serious allegations should be done to confirm that the Department has taken the appropriate action.

*Condition:* The Department maintains a log of the hundreds of complaints made to the DMV each year. The employee overseeing the process identifies cases as successfully closed upon receipt of a

draft response to the complainant stating that the complaint has been received and they plan to investigate the matter.

Most complaints are assigned to the Bureau Chief responsible for the particular area. While we did not find any indication that complaints were not being properly investigated, we do realize the potential for a biased review when the responsible Bureau Chiefs are asked to report on something within their own span of authority.

*Effect:* Recording a case as closed prior to taking the necessary efforts to investigate the matter distorts the status of the current caseload. It also makes it more difficult for management to ascertain the true status of a complaint.

*Cause:* A lack of administrative oversight contributed to this condition.

*Recommendation:* The Department should enhance the process used to review and track citizen complaints by recording cases as closed only upon completion of the investigations and utilizing the resources of the Internal Audit and Investigative units to independently review the matters when resources permit. (See Recommendation 4.)

*Agency Response:* “The Department has implemented a tracking/log system to record customer correspondence and ensure that issues/complaints are addressed and resolved. The log includes the customer’s name; their issue(s); to whom forwarded for action; the outcome; and relevant dates. In cases where the complaint is routine, it is normally forwarded to the appropriate Bureau Chief to be addressed. Complaints involving alleged discrimination are referred to the Affirmative Action Unit. In those instances in which the complaint is serious in nature or involves potential criminal activity/issues, the matter is normally referred to one or more of the following units; Legal Services, Audit Services or Compliance Review. Outstanding complaints are monitored by the Commissioner’s Office and follow-up is undertaken as necessary to finalize each matter. Next fiscal year, as part of its annual Audit Plan, DMV will conduct periodic spot checks of closed complaints to ensure that actions proposed to be taken to resolve issues/complaints have in fact been taken.”

*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:* Our prior audit noted that the Department had 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 did 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 yet to successfully enter into a formal agreement with DOIT specifying the responsibilities of each agency with regard to disaster recovery. These conditions persisted during our current audit period.

*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. Discussions between DMV and DOIT were ongoing at the time of our review.

*Recommendation:* The Department of Motor Vehicles should continue efforts to create a comprehensive disaster recovery plan. A formal agreement should be entered into with the Department of Information Technology (DOIT) clarifying the division of responsibilities between DOIT and DMV. (See Recommendation 5.)

*Agency Response:* "The Information Services Technology (IST) Division is working extensively in conjunction with the Department of Transportation (DOT) for disaster recovery planning. We participate twice a year in disaster recovery exercises with DOIT and are working with them to develop the statewide plan.

We are working with the DOT to continue our work on providing contingency services for our internal local area network environment both at Wethersfield and Waterbury. We have established a two-server environment at DOT and are in the process of coordinating downloads of our Agency business folder and files to accommodate our administrative responsibilities. We

are also in the process of identifying production software requirements to purchase licenses for the contingency servers that support our Midrange Systems that will be located at DOT. We are planning to have a complete environment available for testing by the end of 2008.

The agency is also preparing a Business Continuity Plan for DMV. The plan, a work in progress, is much broader than technology requirements alone. We have spoken with DOIT and have an agreement in principal to facilitate a BCP. In an emergency situation, DMV IST employees would be reassigned to DOIT and work from that location and respond on an "as-needed" basis to agency needs and requests. DOIT would provide immediate access to the state mainframe as well as technical and hardware support and those who could work from home or some remote location could access the main frame with a VPN key. Our IST staff will also pursue the ability to access the midrange system remotely."

**Reminders Regarding the State's "Acceptable Use" Policies:**

*Criteria:* The State's Acceptable Use Policies for the use of the Internet and computing resources, promulgated by the Department of Information Technology, states that computers are only to be used for official State business.

Computing resources are limited, and permitting the storage of files that have no business purpose appears to present an inefficient use of those resources. The downloading of such files increases the risk of transmitting or receiving computer viruses.

Periodic reviews of the content of network and hard drive files, while time consuming, serve as a strong deterrent to unacceptable practices.

*Condition:* During our review, the Agency became aware of an employee that had purportedly accessed an extensive amount of inappropriate websites using an Agency computer. Our own random review of files stored in employees' assigned network folders found five instances in which material had apparently been downloaded to the network, but for which we could not identify any DMV purpose.

We were informed that reviews of employees' computer files had not been done for some time.

- Effect:* These instances represent varying degrees of apparent violations of State policies, as well as the inefficient use of State resources.
- Cause:* The most egregious of these instances resulted from an employee's disregard for State and DMV policies. We were unable to identify a cause for the other instances, but the lack of internal reviews likely contributed to the condition.
- Recommendation:* The Department of Motor Vehicles should initiate periodic unannounced reviews of the Agency's computer resources, as well as provide employees with more frequent reminders of the State's policies and the penalties facing violators. (See Recommendation 6.)
- Agency Response:* "The Internal Audit Unit will be provided access to the agency's in-house servers in order to conduct a review of DMV network files to confirm compliance of State Policies. In addition, PC audits will be performed to examine hard drive files and Internet Activity reports will be requested and reviewed for appropriateness. Findings of these reviews will be reported to Compliance Review, the appropriate bureau chief, Human Resources and/or IT, as necessary. Internal Audit will notify IT to remove Internet access until the matter is resolved when misuse of the Internet is suspected or involved."

**Administrative Hearings Process:**

- Criteria:* Sound internal control over the monitoring of caseloads would suggest that periodic reviews be done to ensure that case data is accurate and up-to-date.
- Condition:* In order to effectively manage the caseload assigned to the Administrative Hearings Unit, a database is maintained that records the status of each case. A review of the database found nine cases that had been continued one or more times, but there had not been an entry in the database for eight months or more. In four of the cases, the respondents were incarcerated for a period of time and were not available to attend a hearing. Expected release dates were not always recorded, leaving open the question of whether the necessary efforts were exerted in those cases because it was unknown whether the respondents were released and if they desired a hearing.
- A reconciliation of the number of cases in the database to the number of cases periodically added and closed was not performed.

*Effect:* There is reduced assurance that the caseload database contains reliable information, making it difficult to make managerial decisions as to the performance of the Unit.

*Cause:* A lack of administrative oversight contributed to this condition.

*Recommendation:* The Department of Motor Vehicles should evaluate the current procedures for monitoring the Administrative Hearings Unit's caseload and consider requiring the entry of tickler dates in the database in order to focus efforts on those cases for which expected action(s) have not yet occurred. Steps should also be taken to improve accountability over the reporting of caseload data. (See Recommendation 7.)

*Agency Response:* "The cases noted by the Auditors involve situations where the agency has taken summary action to suspend a license or withdraw an endorsement to operate a motor vehicle that transports passengers, such as a taxi or school bus. In these cases, even though DMV has already taken appropriate action to protect the public, DMV must grant a hearing opportunity to the person involved to satisfy legal requirements of due process of law, as codified in Title 4 of the General Statutes (Uniform Administrative Procedures Act). In certain cases, the respondent has been incarcerated before the hearing can be held, making lengthy continuances necessary, in order to give the respondent a meaningful opportunity to appear for hearing.

We have taken steps recently to monitor more closely the "Hearings to be Scheduled" report to make certain that comments as to why continuances have been granted are being kept updated, and that hearings that are determined to be waived, or to be no longer legally required, are removed from the list."

#### **Administration of the Internal Audit Unit:**

*Criteria:* Professional internal auditing standards are recommended guidelines an internal audit organization can choose to adhere to for purposes of achieving quality and consistency in the performance of their work. These guidelines address the concepts of organizational independence, objectivity, proficiency, due

professional care, continuing education, and the planning, performance, reporting and follow-up of engagements. In order to promote compliance with such standards, they should be in written form and formally adopted by the organization.

The risk assessment component of internal controls calls for the identification and analysis by management of the relevant risks to achieving predetermined objectives. This process should be documented and updated periodically as part of the annual audit plan.

As a result of recent high-profile investigations into allegations of licensing fraud, as well as the routine performance of some of the Unit's assignments, the DMV Internal Audit Unit may be called upon to perform examinations which could result in civil or criminal charges being filed against individuals. Adherence to an established set of standards, including the maintenance of employees' skills through continuing education, can serve to add credibility to their work in the event that sworn testimony is required.

In order to effectively assess the progress made by the Department in response to audit recommendations, a timely review should be performed to confirm that management has taken the proper action.

The DMV occasionally has the need to conduct investigations of employees' activities to determine if there is compliance with laws and established internal controls and departmental policies. Depending on the nature of the allegations, the reviews may be conducted by units within the DMV, or outside investigative bureaus. When such reviews are done internally, the Internal Audit Unit should be aware in order to offer assistance, avoid unintentional interference, and ensure that the process is carried out completely and in a fair and equitable manner.

*Condition:*

As noted in our prior report, there was no indication that the DMV Internal Audit Unit had adopted a set of professional standards to guide it in the performance of its duties.

The Internal Audit Unit had not produced, in conjunction with management, a risk assessment to help justify the timing and frequency of the audits to be performed.

The Internal Audit Unit does not have an effective process in place to follow-up on audit recommendations in a timely fashion. A tickler system was implemented in response to our prior audit.

Due-dates for responses are put into the reports, but nonetheless management responses were sometimes received months after the issuance of reports, if at all. Follow-up reviews are normally left for the next time that area is scheduled for audit.

The Internal Audit Unit was not routinely made aware of all investigations performed within the Department.

*Effect:*

The lack of adherence to an established set of standards impedes the ability of the Unit to achieve the highest level of consistency and effectiveness, and increases the risk of challenges to court testimony.

The failure to confirm the timely implementation of corrective actions increases the risk that conditions noted in the findings will continue unnecessarily.

The failure to notify the Internal Audit Unit of an internal investigation prevents the Unit from evaluating the objectivity and completeness of the reviews and presents the risk that unintentional duplication or interference can take place if the Unit initiates its own review.

*Cause:*

A lack of administrative oversight contributed to these conditions.

*Recommendation:*

The Department of Motor Vehicles should consider adopting established standards for the Internal Audit Unit and implement procedures providing for the timely receipt of management responses and the prompt follow-up of audit recommendations. In addition, the Unit should generally be made aware of internal DMV investigations. (See Recommendation 8.)

*Agency Response:*

“The Internal Audit Unit of the Department of Motor Vehicles is currently reviewing the latest version of the Government Auditing Standards. The DMV regards the Internal Audit Unit as an essential component for the integrity of the agency’s operations. A review will be conducted to determine what is needed to initiate the required standards, what resources will be required to establish these standards and how long the implementation will take. Based on these issues and standards, a plan will be decided on how the Internal Audit Unit will proceed. The Internal Audit Unit will prepare a monthly status report of all pending audit responses to be reviewed monthly by the Executive Team for the appropriate action. The Internal Audit Unit also has implemented a process to

follow-up on audit findings reported as being resolved to ensure that they have in fact been completed.”

**Forms Review Process:**

*Criteria:*

While the DMV is moving forward implementing electronic transactions and paperless processing, forms are likely to remain an integral part of the routine transaction of DMV business. The multitude of forms that currently exist, as well as the ever-changing laws and related fee structures, makes it incumbent on the Agency to make sure that the forms are current, legally valid, and not in contradiction with any other forms or the requirements of any other State agencies for which DMV collects revenue.

Up until a few years ago, there existed within DMV a Forms Review Committee made up of a small group of employees from various operational units. The Committee was assigned the task of reviewing all proposed forms to make sure that they would serve the intended purpose and not conflict with existing procedures. We regarded the existence of such a group as an important part of the internal control structure within the DMV.

One of the basic premises behind an effective forms management process is the provision that when forms are changed, there needs to be a method to recall the prior versions that exist in order to avoid customers providing unnecessary or inaccurate data.

*Condition:*

Our review of registration transactions processed by various branches found that not all branches were using the same version of the forms at the same time. In some cases, this meant that the DMV was continuing to collect social security numbers for individuals despite a policy to suspend the practice.

As noted above, the Dealers and Repairers Unit was found in a previous audit to be using forms that appeared to be technically incorrect. The use of those forms continued during the current audit period. In addition, that Unit developed a warning form during the audited period that lacked statutory authority.

As noted above, the Department’s Form H-13 Registration Form was found to have instructions that conflicted with the procedures in place at the Department of Revenue Services with regard to the documentation of tax-exempt status.

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<i>Effect:</i>	Information being collected by the Agency was either unnecessary or erroneous. Forms created without legal authority present the risk that statutory violations could occur when they are used.
<i>Cause:</i>	The elimination of the Forms Review Committee and the lack of a complete forms management process appear to have contributed to this condition.
<i>Recommendation:</i>	The Department should consider enhancing internal controls by resurrecting the Forms Review Committee and establishing procedures for the recall of outdated forms. (See Recommendation 9.)
<i>Agency Response:</i>	“DMV is reviewing options for ensuring that agency forms are reviewed and updated or eliminated on a regular and timely basis. This will entail taking steps to ensure that outdated forms are recalled and/or otherwise destroyed. Whether this is accomplished by means of re-establishing a Forms Management Committee or assigning the duties and responsibilities to a specific individual(s) remains to be determined. It should be noted that the H-13 Form has been revised to address the concerns raised by the Auditors.”

### **Recording of Compensatory Time:**

<i>Criteria:</i>	Sound payroll practices dictate that the use of accrued time should be properly accounted for. The State’s Core-CT system has provided agencies with a temporary leave code to be used when compensatory time is accrued and used in the same pay period. The intent of this temporary code was to allow agencies to change the coding when the earned time was available on the system.
<i>Condition:</i>	Time charged to the temporary code was permitted to remain on employees’ records without correction. In order to correct this condition, payroll staff were required to go back to the inception of the Core-CT system to recalculate balances, resulting in an inefficient use of resources.
<i>Effect:</i>	There was reduced assurance that the amount of compensatory time granted to employees was actually earned and available at the time it was used.
<i>Cause:</i>	DMV payroll staff did not put a process in place to cause this time to be reviewed after the initial entry.

*Recommendation:* The Department should continue its efforts to correct the errors made in the recording of compensatory time. (See Recommendation 10.)

*Agency Response:* “The Payroll Officer will run a monthly EPM report for all temporary payroll codes. This report will be sent to the Payroll Officer’s supervisor monthly with comments on what is being done to correct the outstanding temporary codes for her review.”

**Utilization of Positions:**

*Criteria:* The State’s Department of Administrative Services has promulgated formal job descriptions for most positions within the classified service. These job descriptions outline the intended use of the position and equate the responsibilities and intended span of control to the established salary.

*Condition:* Our prior audit found a number of positions that were not being utilized in a manner that was consistent with the job descriptions. We noted five branch offices in which the hierarchy of Branch Managers, supervisors, and line staff were in conflict with the job descriptions. We also noted 15 other positions within the central office administration of the Agency in which the number/level of people supervised appeared to be less than specified in the job specifications.

*Effect:* The Department may not be optimizing the use of its personnel resources.

*Cause:* We were unable to determine a specific cause for this condition. However in some cases, especially with regard to the branch office positions, it appeared that the specificity of the job descriptions was problematic because they didn’t provide for the flexibility that DMV desired.

*Recommendation:* The Department should perform a review of all positions that are not being used in accordance with the job specifications and either restructure the duties to coincide with the formal job specifications or consult with the Department of Administrative Services to rewrite the specifications. (See Recommendation 11.)

*Agency Response:* “DMV is working with the Department of Administrative Services on a major classification project that will update a number of agency job specifications to reflect current and future job

assignments and responsibilities as well the experience and training necessary to perform them.

Agency reorganizations and assignment changes occasionally result in an employee's assigned tasks and responsibilities being different from those detailed in their job classification/specification. In such situations, the agency attempts to either reclassify the employee or to red-circle the position. When a position is red-circled, it is not refilled at its current level unless and until an audit of the duties and responsibilities warrants such. Otherwise, it is reclassified and filled at a more appropriate level."

**Allocation of Positions to the Emissions Fund:**

*Criteria:* Sound fiscal management dictates that the allocation of positions to a particular funding source should coincide with the workload created by the activities supported by that fund.

*Condition:* The Department had allocated 90 full-time equivalent positions to the Emissions Fund during the 2007 fiscal year. Of these, 19 were branch positions assigned to the Emissions Fund because of the anticipated increase in the workload in the branches as a result of emissions-related questions from customers and the need to handle cancellations of registrations and the collection of emissions late fees. Fifty percent of one position in the Internal Audit Unit was also allocated to the Emissions Fund. However, DMV was unable to produce documentation of the estimated or actual impact the Emissions Program had on branch operations or the efforts of the Internal Audit Unit. In fact, the Internal Audit Unit claimed that none of its efforts had gone into the review of the current emissions system.

The majority of the other positions charged to the Emissions Fund were within the Emissions Division. The activities of these positions were directly attributable to the Program, with most of them functioning as Emissions Agents visiting the approximately 250 authorized test centers across the State. Most facilities are visited three times per month, in addition to other specific technical or covert inspections. These scheduled visits did not appear to yield much in the way of deficiencies, suggesting that the number of scheduled visits may be reduced without any loss of coverage.

- Effect:* The allocation of positions to the Emissions Fund is not supported by a documented methodology and may not represent an efficient utilization of resources.
- Cause:* The staffing levels were established at the inception of the Program and had not been adjusted based on the operating results that were attained. Issues that arose with the previous Emissions Program appear to have justified the original allocation of staff.
- Recommendation:* The Department should document periodic assessments of the staffing needs of the Emissions Program to provide assurance that the staffing levels are warranted. (See Recommendation 12.)
- Agency Response:* “DMV has been reviewing the staffing needs of the Emissions Program. As a result of this review, during the past year the agency has reduced the staffing level in the Emissions Program by 12 percent (11 positions) and expects that further reductions will occur through attrition.”

**Dual Employment Documentation:**

- Criteria:* Section 5-208a of the General Statutes states that no State employee shall be compensated for services rendered to more than one State agency during a biweekly pay period unless the appointing authority of each agency or his designee certifies that the duties performed are outside of the responsibility of the agency of principal employment, that the hours worked at each agency are documented and reviewed to preclude duplicate payment and that no conflicts of interest exist between services performed.
- General Letter Number 204 issued by the Department of Administrative Services states that it is up to the secondary agency to initiate the dual employment process by completing its portion of the dual employment form and forwarding it to the primary agency. However, State agencies are encouraged to institute their own measures in ensuring compliance with Section 5-208a of the General Statutes.
- Condition:* Three out of the six DMV employees with dual employment arrangements were approved to work the second position despite the fact that DMV did not have an indication of the secondary agencies’ work schedules.
- Effect:* The lack of schedules for those employees greatly reduces DMV’s assurance that there are no conflicts in the work schedules.

- Cause:* Reliance is placed on the secondary employer to notify the Department of the dual employment arrangement and confirm that the schedules do not conflict.
- Recommendation:* The Department of Motor Vehicles should take steps to obtain the intended working schedules of employees seeking dual employment arrangements prior to approving them. (See Recommendation 13.)
- Agency Response:* “As the primary employing agency in dual employment situations, the Department of Motor Vehicles requires an employee and the secondary employing agency to provide a work schedule prior to granting its approval as outlined in DAS General Letter No. 204, which covers dual employment. The issue in question has arisen in situations in which the secondary employment is on an unscheduled basis. In those cases, DMV will require from the secondary employing agency a written statement certifying that no work will be performed in that assignment that overlaps/conflicts with the employee’s primary DMV work hours/schedule. DMV will also review all reports received from the Department of Administrative Services pertaining to dual employment situations to ensure that all requirements for such on its part have been met.”

**Processes Used to Document Separating Employees:**

- Criteria:* The Department has in place a procedure to document the return of State property upon the separation of employees. A form is to be completed by a supervisor prior to the employees’ last day, and the form is to be returned to the Human Resources Division.
- Sound personnel administration practices call for an exit interview to be held with separating employees in order to ascertain their reasons for leaving and any other concerns that may exist.
- The Governor’s Office Ethics Compliance Plan calls for an exit interview to be conducted by the Agency’s Ethics Liaison Officer to remind employees of potential ethics issues pertaining to future employment. At that time, a written summary of the post-state-employment rules should be provided to the employee.
- Condition:* A sample of eight separated employees revealed that none of the required forms were on file in the Human Resources Division.

We noted that an exit interview process was not in place during the audited period. A process was put into place in January 2007, but it failed to include an interview with the Ethics Liaison Officer.

*Effect:* There is an increased likelihood that State property in the custody of separating employees may not be returned.

The failure to hold exit conferences increases the risk that employees may enter into situations after separation that would present an ethical conflict and doesn't afford DMV the opportunity to obtain information from the employee.

*Cause:* A lack of administrative oversight contributed to this condition.

*Recommendation:* The Department of Motor Vehicles should implement procedures that provide for an exit interview process for separating employees in order to document the return of State property and conduct the required ethics interviews. (See Recommendation 14.)

*Agency Response:* "A document detailing post State employment rules will be provided to separating employees and a signature acknowledging receipt of this information will be required. The process for providing the form to separating employees and securing the required acknowledgement signature, as well as the process for ensuring the return of State property will be reviewed and necessary steps taken to ensure uniform compliance with these processes."

*Auditors' Concluding Comment:*

Documentation of the distribution of post-employment rules does not, by itself, accomplish what we believe is the intended goal of the requirement to meet with the Ethics Liaison Officer. The opportunity to exchange information with the Liaison is critical to the information-sharing process which is designed to avoid future conflicts.

### **Disposition of Workers' Compensation First Checks:**

*Criteria:* The State Accounting Manual provides that the first check from the worker's compensation third party administrator should be deposited in the agency's Petty Cash Fund in accordance with the prompt deposit provisions of Section 4-32 of the General Statutes. A determination should be made within five days of receipt of the check as to the amounts due to the employee and/or the Agency.

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<i>Condition:</i>	A follow-up to our prior audit by the Department's Internal Audit Unit found that the Department was not depositing checks in accordance with the statutory requirements, and the determinations of the amounts due the State and the employee were not performed within five days. The Department failed to maintain an appropriate receipt log that detailed the date of receipt of those checks.
<i>Effect:</i>	The failure to promptly deposit the checks increases the risk that the checks could be lost. The failure to determine the proper distribution of the amount results in non-compliance with established procedures and delays the recognition by the State of the amount recovered.
<i>Cause:</i>	This condition exists because the Department failed to promptly address prior audit recommendations.
<i>Recommendation:</i>	The Department of Motor Vehicles should take steps to improve the administration of workers' compensation first checks in order to comply with relevant requirements. (See Recommendation 15.)
<i>Agency Response:</i>	"In April of 2007, Worker's Compensation checks were identified as not being deposited in a timely manner by management. The Payroll Officer was counseled on this matter and was instructed on the timely depositing of these checks. In May 2007, Internal Audit did a comprehensive audit of the process, submitted their findings and received the requested responses. Since that time, there have been no new workers compensation cases requiring first checks. The Department of Motor Vehicles continues to enforce policies and procedures for the timely deposit of worker's compensation first checks."

### **Revenue Accountability Reports:**

<i>Criteria:</i>	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.
<i>Condition:</i>	As noted in previous audits, 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. The Department had been in negotiation with vendors regarding the creation of new licensing and registration systems that were intended to be designed to provide for the necessary reconciliations. However, these negotiations did not yield the intended results, and the process of soliciting proposals has begun again.

*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 continue its efforts to pursue system upgrades that will enable the preparation of accountability reports for the primary sources of revenue. (See Recommendation 16.)

*Agency Response:* “The Department of Motor Vehicles considers the accountability of revenue sources to be of high priority. The procurement process for an integrated information system continues. In all discussions of this system upgrade, accountability of revenues has been stressed. All systems discussed have shown the ability to account for revenues through an automated process. The Department of Motor Vehicles is committed to acquiring this function with the new enterprise IT system.”

### **Reconciliation of Emissions Late Fees:**

*Criteria:* Section 14-164c, subsection (k), of the General Statutes provides for late fees of \$20 to be assessed if an emissions test is performed more than thirty days after the expiration of the assigned inspection period. There are provisions for the waiver of the late fee under certain circumstances.

*Condition:* The DMV business office did not have a process in place to reconcile the late fees received to the number of late emissions tests that were recorded as being performed in the emissions database. Our tests of ten days’ records from November 2005 revealed eight of ten days for which late fees were received, but

the registration database was not updated to indicate that the owners had performed the required emissions testing. DMV staff pursued this issue further and found hundreds of additional discrepancies. Instances were also noted in which late fees were not collected or waived, yet the records indicated that the testing was performed.

*Effect:* As a result, some vehicle owners would likely be unable to renew their vehicles' registrations, as the system would have the records flagged as noncompliant. There is also limited assurance that the required fees are being collected when required.

*Cause:* These conditions were caused by the failure of DMV to reconcile the corresponding records to each other. This is a specific example of the general condition described in Recommendation 16 above, but this issue is more readily capable of being resolved than the overall finding.

*Recommendation:* The Department of Motor Vehicles should formalize a process to periodically reconcile the receipt of emissions late fees to the number of late emissions tests performed based on the emissions database. (See Recommendation 17.)

*Agency Response:* "The Department of Motor Vehicles considers the accountability of revenue sources to be of high priority. The reconciliation of emission's late fee payments have been completed to date and continue on a daily basis. The review of discrepancies has revealed a number of procedural issues that have since been corrected. Ongoing discrepancies decreased as a result of the corrective action taken."

### **Documentation of Vehicle Registrations by Non-Profit Organizations:**

*Criteria:* DMV fee schedules in place for the registrations of buses and other vehicles owned by non-profit agencies allow for reduced fees, as well as sales tax exemptions granted by the Department of Revenue Services to such organizations. Registration forms and DMV procedures specify the conditions that must be met to qualify for the reduced fees and/or sales tax exemptions.

*Condition:* From a sample of 50 registration transactions processed during the audited period, four were registered to non-profit organizations. We found that three of the four transactions were for vehicles that were claimed to be registered to non-profit organizations, yet the

documentation to support the reduced fees and/or sales tax exemptions was not sufficient. In one case, we were able to determine that a for-profit entity was apparently granted the reduced fees improperly.

*Effect:* It appears that in these instances the State did not collect the fees that it was entitled to under the law.

*Cause:* The procedures in place at DMV and the instructions on the H-13 registration forms had not been modified for some time. However, the Department of Revenue Services made a change to its procedures in 1998 that rendered the instructions on the H-13 form invalid. DMV was apparently not aware of this change.

*Recommendation:* The Department of Motor Vehicles should contact the Department of Revenue Services for guidance on how to best verify the non-profit status of entities requesting reduced fees and sales tax exemptions while registering vehicles. (See Recommendation 18.)

*Agency Response:* “Contacts have been established within the Department of Revenue Services. These contacts will provide updated information as to the entities eligible for non-profit status and the required supporting documentation. A liaison for branch operations will be established to relay updated information and procedures to line staff. It should be noted that the H-13 form has been revised to address the concerns raised by the Auditors.”

**Wrecker Registration Fee Schedules:**

*Criteria:* Section 14-66 of the General Statutes provides for wrecker registrations to be done on a biennial basis.

*Condition:* Procedures in place at DMV call for wrecker registrations to be performed annually.

*Effect:* There is non-compliance with the Statute, and DMV appears to be processing twice as many transactions as it should.

*Cause:* This condition is a direct result of DMV failing to address the same prior audit finding.

*Recommendation:* The Department of Motor Vehicles should initiate steps to bring the wrecker registration process into conformance with the biennial provisions of Section 14-66 of the General Statutes. (See Recommendation 19.)

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*Agency Response:* “The Department of Motor Vehicles considers conformance to the General Statutes to be of the utmost importance. The Dealers and Repairers unit has commenced the conversion of wrecker registrations to a biennial period. The conversion will be entering the second year shortly. All related IT functions and agency procedure updates are complete.”

### **Contract for Digital Message Boards in Branch Offices:**

*Criteria:* The Department has entered into a no-cost contract with a provider of digital display boards to provide informational services to customers of various branches. Sound business practice suggests that arrangements for private enterprises to utilize public facilities for commercial purposes should be entered into on a competitive basis, in the anticipation that revenue could be generated from the process.

*Condition:* As noted in our prior audit, a contract was entered into in 1993 and contains a provision that the provider will be the exclusive system in DMV branches. Said contract also includes a provision for automatic renewal every five years. Utilizing such an arrangement appears to preclude the opportunity to competitively bid for such service with the hope that the State can be compensated for permitting the service in its buildings. Since the contract terms have not been amended since 1994, any legislative changes regarding contract reform provisions have not been incorporated into the terms.

*Effect:* Opportunities for a competitive selection process appear to have been missed.

*Cause:* This contract appeared to get little scrutiny because its terms provide for no cost to the State.

*Recommendation:* The Department of Motor Vehicles should perform an evaluation of the digital display contract with the goals of competitively bidding such service. (See Recommendation 20.)

*Agency Response:* “The Department of Motor Vehicles is currently developing an RFP (Request for Proposals) to update the digital display boards in its branch offices, which will be issued shortly.”

### **Accountability of Complaint Tickets Issued to Commercial Vehicles:**

- Criteria:* The issuance of complaint tickets to operators and owners of commercial vehicles serves to function as a deterrent to committing certain violations, as well as providing an insignificant source of revenue to the State.
- DMV policies specify that personnel should not borrow or loan tickets books.
- Proper accountability of the pre-numbered documents and verification of compliance with DMV policies would normally be determined by reconciling the forms issued to those returned to the unit and sent to the Judicial branch for processing.
- Condition:* Our review of the process used to track the issuance and return of these documents found that the review by our Office is relied upon as part of the internal control process. We examined a sequence of complaint forms that were issued and found 12 that were unaccounted for. Another DMV inspector was found to have transferred his book of complaint forms to another inspector without the knowledge or approval of the supervisors.
- Effect:* The failure to account for all complaint forms increases the risk that a form could be used but never turned in to be processed. This could result in the intended enforcement action not being taken, as well as avoiding the collection of the associated fees.
- Cause:* Reliance on the audit process to constitute the maintenance of accountability resulted in the failure to detect these conditions in a timely manner.
- Recommendation:* The Department should consider establishing procedures for the periodic reconciliation of complaint tickets issued and reemphasize existing policy for the proper administration of the documents. (See Recommendation 21.)
- Agency Response:* “The IST Division will provide assistance in automating retrieval of ticket number sequence from the current database generating a report that can be used in identifying gaps in ticket numbers returned. Present procedures will be distributed and reviewed with all appropriate staff. In addition, a procedure will be developed instituting the performance of a periodic reconciliation by Division staff of tickets issued and returned. An initial reconciliation will be performed by our Audit Services Unit, and the review of this function will be given consideration for inclusion in the agency’s annual audit plans.”

**Diesel Commercial Vehicle Emissions Testing Program:**

*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 is 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”. Best estimates place the number of diesel powered vehicles operating in the State at approximately 20,000.

Section 14-164i, subsection (b), of the General Statutes states that emissions inspections “shall be performed in conjunction with any safety or weight inspection at any official weighing area or other location designated by the Commissioner.” In lieu of this, DMV can accept the results of self-testing performed by fleets, as well as testing done at licensed repair facilities.

This Section also provides for penalties in the event of noncompliance, and provides for higher penalties for repeat offenders.

Section 14-164i-5 of the Regulations of Connecticut State Agencies states that the failure to have a vehicle repaired within 45 days after it fails an emissions test shall result in the suspension of the vehicle’s registration or the privilege to operate the vehicle on the highways of the State.

*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. DMV records indicate that only approximately 800 vehicles were tested during the 2006 calendar year. Also, DMV has not implemented a procedure to test the emissions of all vehicles that are examined for safety and weight as apparently required by Statute. Together, these two issues contribute to the Department’s inability to test the anticipated number of vehicles.

In addition, DMV does not have a sufficient process in place to track repeat offenders because the offender status is ultimately determined by the courts, and DMV doesn’t have access to

adjudicated court records at the time the summons for the offense is written.

DMV issues “second notice” letters to those that fail the test and don’t provide evidence of the repairs. The “second notice” gives the owner 15 days to comply and states that the failure to comply “may result in suspension action”.

Based on prior audit findings, the Department has initiated legislative changes to clarify the relevant statutes and make the Program more manageable. This action was being taken despite the Department’s previous responses indicating that they disagreed with our position.

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

The lack of effective enforcement mechanisms in the form of increased fines and the use of permissive language in potential suspension notices does little to promote compliance.

*Cause:* In addition to a lack of administrative control, the Department has not interpreted the law to require the testing of every vehicle at the time of all inspections.

*Recommendation:* The Department of Motor Vehicles should continue efforts to seek amendments to the relevant legislation to clarify the Department’s responsibilities relative to the Diesel-Powered Commercial Vehicle Emissions Testing Program. In addition, the Department should take steps to be in compliance with the provisions of all relevant statutory and regulatory provisions. (See Recommendation 22.)

*Agency Response:* “This Agency has had a different interpretation than the auditors concerning the legal requirements of Section 14-164i. In quoting “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,” the auditors are placing responsibility upon this department to perform heavy duty diesel inspections on all Connecticut registered vehicles meeting the definition. We do not believe this to be the case and see it as the carrier’s responsibility to ensure that their vehicles comply with established standards.

The Department’s responsibility is to randomly conduct inspections in order to monitor compliance with the established

standards and sanction those operating in violation of these standards. Currently there is no law in this state that mandates DMV or the industry to conduct heavy-duty diesel emissions inspections, annually or otherwise, on all Connecticut registered trucks. At present, DMV Inspectors conduct random samplings at roadside, at a carrier's facility if requested, or through the "voluntary" Fleet/Dealer self-testing program. With the exception of roadside inspection, all other inspections/testing is done voluntarily by the industry.

The Legal Services Division is reviewing the above referenced Statute and DMV will take any appropriate action in this matter as required following the review.

DMV also had a difference of opinion concerning the statement that, "DMV has not implemented a procedure to test the emissions of all vehicles that are examined for safety and weight as apparently required by Statute." The Statute read that emissions inspections "shall be performed in conjunction with any safety or weight inspection at any official weighing area ....." DMV did not see this as meaning that it subjects all trucks to both safety and emissions inspections. DMV took this as meaning that, at the times it is conducting safety inspections within the confines of a fixed weigh station, it will simultaneously conduct diesel inspections at that facility. During the most recent legislative session, DMV proposed an amendment to clarify this. Section 13 of Public Act 08-150, effective October 1, 2008, substitutes the word "may" for "shall" in the sentence referred to above.

As these tests measure smoke 'opacity', probable cause to conduct a diesel emission inspection is very easily obtained through the naked eye, conversely there is little or no reason to subject a nonsmoking truck to needless delays. It should be pointed out that these diesel emissions tests are limited to weather conditions and temperature, which makes it a seasonal operation as it relates to weigh stations. It is not the intent to further delay or impede commerce by tying trucks up even longer by way of subjecting them to two or three separate inspections during a single stop. In fact, such occurrences would conflict with several state and federal initiatives to maintain the least amount of impact and/or interruption upon interstate commerce. Logistically, it would be impossible to conduct a universal type of program, for all diesel-powered trucks, even to cover all Connecticut-registered trucks. Such a program would have to be combined in some fashion with the passenger car emissions program.

While we disagree with the Auditors' interpretation of some legal requirements, the agency has still been proactive in its efforts to increase its enforcement of truck emissions statutes. A recent reorganization has put the Commercial Vehicle Safety Division and the Emissions Program into the same Bureau, and some administrative responsibilities for the Heavy Duty Diesel Emissions (HDDE) have been moved to Emissions. Reassignments and the reallocation of resources are intended to result in an increase in the number of roadside inspections being performed, and efforts continue to expand participation in the voluntary Fleet/Dealer self-testing program. Our Emissions Program consultant is being asked to look at our current equipment and to recommend potential changes to ensure that we are using the most effective and efficient testing methods available. The agency is also investigating possible grant sources to acquire additional equipment to make available to fleet owners to conduct testing

In addition, the agency has taken steps to further strengthen the enforcement actions against violators that do not respond to issued infractions. DMV is currently in the process of creating procedures to hold hearings. A new notification letter has been prepared to send to carriers who have failed to respond within the mandated 45 days. We believe that these and other ongoing efforts will lead to a more effective HDDE program for the State of Connecticut."

*Auditors' Concluding  
Comment:*

We believe that our interpretation of the Statutes is reasonable and consistent with the statutory objective of the Program. Nonetheless, we encourage the Department to carry out the review discussed above and seek the necessary statutory revisions.

**Insurance Compliance:**

*Criteria:*

Section 38a-343a of the General Statutes provides that each insurance company that issues passenger vehicle liability insurance shall notify the DMV Commissioner monthly of policy cancellations, and that the Commissioner shall review and analyze the data submitted by insurance companies for the purpose of determining whether an owner has failed to continuously maintain insurance coverage. Section 38a-2 of the General Statutes provides that any person or corporation violating any provision of

Title 38a for which no other penalty is provided shall be fined not more than \$7,500.

Section 14-163d of the General Statutes requires that effective January 1, 2006, owners of commercial vehicles must provide certificates of insurance to DMV every six months.

In order to improve accountability and establish proper segregation of duties, any administrative hearings held as part of the enforcement process of the various DMV laws should be administered outside of the unit handling the enforcement process. This helps to ensure consistency and facilitates the independent reporting of statistics related to those cases.

*Condition:*

The DMV has a process in place to detect uninsured passenger 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 for a period of 14 days or less, a warning letter is normally not issued. There is no statutory authorization forgiving penalties for these “lapsed files” that DMV identifies. In addition, DMV has implemented a policy in which registrants with lapsed insurance can turn in the plates for the vehicle(s) prior to the date of suspension noted in warning letters without incurring a penalty. There is no statutory authorization for this practice.

If the passenger vehicle insurance compliance process was working properly, it would seem that DMV should be able to produce a list of all registered vehicles at any one point in time with a list of the corresponding insurance companies providing coverage to each vehicle. However, we were informed that between 40,000 and 90,000 vehicles typically cannot be matched to an insurance company record. This is caused in part by the failure of all insurance companies to properly report to DMV. Despite this, DMV has never attempted to fine a non-compliant insurer.

At the time of our review in November 2007, DMV staff estimated that approximately 90 percent of the estimated 6,000 commercial carriers had not filed evidence of insurance coverage for the six-month period beginning January 2007. The process is complicated further by the commercial carriers’ ability to suspend coverage on specific vehicles, yet the insurance documents presented to DMV would indicate coverage on an entire fleet.

Administrative hearings regarding insurance compliance issues were held by the Insurance Compliance unit. These cases were not included in an Administrative Hearings database used to track caseload statistics and provide an aging of case files. A limited review of case files found two that did not have sufficient information in the file to support the decision of the hearing officer.

*Effect:*

There is little assurance that all of the passenger or commercial vehicles registered in the State are properly insured as required. Not all instances for which DMV has identified a lapse in coverage are resulting in the assessment of financial penalties, despite statutory provisions. Oversight of the administration of hearings was limited when all of the reporting is done by the Unit itself, presenting the risk that cases may not be heard in a timely manner or sufficient documentation may be overlooked.

*Cause:*

This condition was caused in part by staffing issues and the desire of DMV to focus on the passenger vehicle motorists that are currently uninsured, as opposed to those who have insurance in place but may have had a lapse in coverage. In addition, we were informed that while insurers were not always consistent in sending the required data to DMV, we were unable to obtain evidence that insurers have been considered to be subject to the applicable fine.

The absence of an on-line real-time database capable of accessing insurance company data for both passenger and commercial vehicles appears to greatly contribute to this condition.

Statutory requirements for commercial vehicles do not require the identification of commercial vehicles by specific identification numbers, making it more difficult to confirm coverage as intended in the law.

*Recommendation:*

The Department of Motor Vehicles should attempt to strengthen enforcement over uninsured motor vehicles by properly assessing penalties for any periods in which a vehicle is uninsured, as well as investigating the process for issuing fines to those insurers that fail to report in a timely fashion. In addition, efforts should be made to obtain the resources and legislative authority necessary to establish a mandatory on-line system to exchange insurance information with insurance companies. Administrative hearings for uninsured motorists should be held outside of the Insurance Compliance Unit itself. (See Recommendation 23.)

*Agency Response:* “The issue of utilizing a real-time reporting system for mandated insurance coverage is an issue that DMV has spent considerable time researching and analyzing. While the agency concurs that such a system could help, if such were possible, the reality is that the complexities of this matter have made the introduction of a real-time system difficult if not impossible to do. Consequently, a real-time insurance compliance system has not been successfully introduced anywhere in the country. DMV continues to explore options and strategies with other states as well as with the insurance industry to improve this program.

In the meantime, and as discussed by the Auditors, the agency has a 14-day policy in effect with respect to lapses of insurance coverage for passenger vehicles. This issue was reviewed by our Legal Services staff for statutory compliance. During the most recent legislative session, DMV submitted proposed language to address this issue. Section 42 of Public Act 08-150, effective July 1, 2008, authorizes the Commissioner to decline to impose penalties in any insurance compliance case if the owner cancels the registration or if it cannot be established that the lapse occurred for a period of more than 14 days.

There is also an issue with the agency’s policy for lapsed insurance that provides for elimination of the penalty if the registration plates are turned in prior to the date of suspension. This was a carryover from 14-12g CGS (which included this provision in the statute) but which Public Act 2005-282 amended. The procedures will be changed to comply with the current statutory requirements.

DMV recently began an information technology project to address the unmatched insurance records issue. A program has been developed and we returned unmatched records to two insurance companies. Both were sent unmatched files and we are currently attempting to resolve issues with both carriers. The agency will attempt to isolate the causes of these record mismatches and correct them.

Section 14-163d of the General Statutes requires each owner of a commercial motor vehicle, not insurance companies, to file evidence of security at least once every six months. The onus of providing insurance filings is on the part of each owner of a commercial motor vehicle not the insurance industry. Penalties provided by subsection (b) of Section 14-163d are suspended registrations of each motor vehicle registered in the name of the owner who fails to provide the insurance filings. Current statutory

language does not provide for penalties to be assessed against insurance companies.

There are approximately 18,000 commercial motor vehicles subject to Section 14-163d of the General Statutes. An on-line system to exchange insurance information with insurance companies for these 18,000 commercial motor vehicles would be a positive approach to strengthening enforcement of uninsured commercial motor vehicles. An on-line insurance verification system for commercial motor vehicles would eliminate the need for owners of commercial motor vehicles to file evidence of security every six months. Toward this end, DMV sought legislation during the most recent legislative session to enable such a system. Section 19 of Public Act 08-150, effective October 1, 2008, authorizes DMV to establish a procedure to verify coverage by means of electronic messages that would be exchanged between DMV and the relatively small number of companies that write policies for commercial trucks and buses. If the Agency is able to pursue this initiative, the efficiency and timeliness of this program will be improved.

Regarding Administrative hearings, CVSD staff schedules and represents the Department in Administrative hearings for owners of commercial motor vehicles who fail to comply with Section 14-163d.

However, with regard to passenger vehicles, staffing issues in the Insurance Compliance unit and the Administrative Hearings Division have resulted in the process that we currently use. We are attempting to have a dedicated person(s) within the current staff fill in the role of a case presenter in the administrative process. This will provide the necessary case documentation, case accountability and firm up the segregation of duties. The assignment of a person to this duty will have other effects on the unit as the single analyst position, which provides most guidance and oversight in the division, will now have an additional responsibility. We will begin to address this issue immediately.”

**Dealers and Repairers Unit:**

*Background:*

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.

Within the Dealers and Repairers Unit is a hearing representation function, the purpose of which is to help adjudicate complaints against licensees after they are investigated.

The Dealers and Repairers Unit was an area of many concerns in our last audit, and DMV responded at that time that an initiative was in place to address these issues. However, for the most part, we found that we are repeating many of those findings.

*Criteria:*

Procedures manuals are commonly used to document policies and procedures for staff to follow. When kept current, they help to facilitate training new staff and serve as a guide for management and others to determine if procedures are being adhered to.

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.

Cases assigned to the hearings representation staff should be reviewed and heard in a timely fashion in order to resolve the issues and prevent further occurrences of improper activity.

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.

In order to address consumer complaints in a timely and effective manner, inspectors should be able to allocate as much of their time as possible to the review of case files and the completion of the documentation necessary to provide accountability for their time. Ministerial tasks, if deemed necessary, should be automated or assigned to clerical staff instead of taking away from investigative efforts.

Section 14-52, subsection (a), of the General Statutes prohibits selling or repairing motor vehicles without a license. Subsection (c) permits the Commissioner of Motor Vehicles to obtain information pertaining to the financial status of applicants in order to determine if the applicant has sufficient resources to conduct business.

*Condition:*

The Unit's Policy and Procedure Manual had not been updated in many years.

Reports produced by the Dealers and Repairers Unit indicated a total of 1,100 open cases at the time of our inquiry. Only 180 of these cases were regarded as current, and 498 cases were over six months old. One week after our inquiry began, the number of open cases decreased by almost 100, suggesting that there were a large number of cases that were improperly designated.

Reviews were done of 52 of the cases open more than 180 days. Many of these cases appeared inactive for long periods of time, indicating that either no action had been taken or entries were missing from the case record. Twenty-seven of these cases appeared to essentially be closed, yet the case management database still reflected them as open cases.

Cases sent to the hearings representation staff were not processed in a timely fashion. At the time of our review, 126 cases were recorded as open but had not yet been reviewed.

We found that cases of unlicensed operation, along with other statutory violations, were sometimes handled by the issuance of written warnings. There was no apparent authorization for the issuance of warnings.

The Department had implemented a process to keep complainants up-to-date on the status of the case. The process entails having the inspectors issue letters after 30, 60, 90, and 120 days, specifying the status of the case. Due to the case backlog, these letters frequently indicate that no action has been taken on a case. While these letters alert complainants to the status of their case and may encourage complainants to push DMV for action, we question the benefit of using inspectors' time to prepare such letters instead of working to reduce the backlog.

The Department chose in many instances to require applicants and renewing licensees to furnish the financial data referred to in Section 14-52, subsection (c). However, we found that the DMV staff assigned to evaluate the data had been given little guidance as to how to interpret financial statements. The form designed by DMV appeared to have incorrect references to accounting terminology, as evidenced by the large number of calls the DMV claims to receive regarding the form. DMV was relying on the information presented in these forms, but the forms were not signed under penalty of false statement. In addition, the signatures

of the preparers were not sufficient to determine if the individuals were certified public accountants or not.

*Effect:* Public confidence in the governmental function is reduced if there is no evidence of complaints receiving attention. The lack of current and accurate data in case management databases reduces the value of the system as a managerial tool.

The failure to hold hearings in a timely manner renders the enforcement process less effective in obtaining the desired results. Reliance on the financial data submitted to the Department may be misplaced if the staff is not adequately trained and the form is misunderstood by licensees and their accountants. False statement penalties should promote more accurate filings.

There is reduced accountability for the time spent by each inspector, and the evaluation of performance is made more difficult.

*Cause:* An overall lack of administrative oversight resulted in these conditions.

*Recommendation:* The Department should take action to reduce the backlog of open cases assigned to both the investigators and the hearings staff in the Dealers and Repairers Unit, as well as evaluating the procedures in place within the Unit to provide for increased managerial oversight and accountability of inspectors' time. (See Recommendation 24.)

*Agency Response:* "The Department of Motor Vehicles regards the licensing and regulation of Dealers and Repairers of great importance. The division is in the processing of re-establishing a work group to review and revise the Policy and Procedure Manual.

The Division acknowledges that a backlog exists. In order to try to address this matter, within current staffing limitations, several steps have been taken. The division is again reviewing case assignment procedures to ascertain if further steps can be taken to address the backlog. The division is also instituting a standardized investigative case format, which should aid in streamlining internal case processing and result in a more efficient and effective case management system. Additional steps have been taken to provide for more field accountability.

The Division has implemented a requirement that, for every 30-day period that elapses, a letter is sent to a complainant to report the status of his/her case. Although this process involves staff time, it has been found to decrease the number of follow up calls to our inspectors, and as a result, provides for more available time for case review. In addition, it provides on-going notification to the complainant concerning the current status of their complaint.

All financial information and data received from a proposed licensee is sent to Audit Services for its financial review. Once Audit concludes its review, the information is sent back to the Division in “plain language,” where, based upon a review of the information provided by Audit, a decision is made regarding the financial viability of the applicant.

Finally, the agency is considering options for conducting a more thorough review of staffing levels and resources needed to more effectively perform the duties and responsibilities of the division and in a timely manner. Should this review determine that additional resources are needed, the agency will review options available to address this need, including submitting a budget option for additional staff.”

### **Utilization of State Vehicles:**

*Criteria:* Sound internal control and business practices suggest that policies and procedures should be updated regularly and promulgated in writing to prevent ambiguity and promote accountability.

In accordance with Department of Administrative Services’ 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.

In accordance with State Comptroller’s Memorandum 2007-02 and Section 61 of the Internal Revenue Service Code, fringe benefit calculations are to be prepared for employees that garage a vehicle at home and are not exempt because they meet the definition of a “law enforcement officer.”

*Condition:* Based on a review by the Department’s Internal Audit Unit done in October 2005, the following issues were identified and no action had been taken at the time of our review:

- Existing DMV policies for the assignment of State vehicles did not include criteria for determining whether the business use of the vehicle, outside of the commuting mileage, justified the assignment of each vehicle.
- Vehicles with monthly usage below the 1,000 mile per month threshold were identified. That threshold is used as a gauge to assess the cost-effectiveness of a permanently-assigned vehicle as opposed to reimbursing employees for the use of their personal car or establishing a pool car arrangement. Our follow-up identified more than a dozen vehicles that appeared to be used primarily for home to office travel.

We noted five employees assigned to the Dealers and Repairers unit that received an exemption from income tax for the value of the vehicle usage. However, these individuals were not required to routinely carry firearms and wear uniforms, which are the criteria used to determine if an employee qualifies as a “law enforcement officer.”

The DMV policy pertaining to vehicle assignments had not been updated since November 2002. We were informed that the policy was outdated, and was replaced by a set of policies and procedures that were not documented.

*Effect:* There is reduced assurance that the utilization of State vehicles is being administered in an efficient and effective manner.

Taxable fringe benefits for the use of the vehicles may not be properly reported by the State Comptroller as required by the Internal Revenue Code.

*Cause:* A lack of administrative oversight contributed to this condition.

*Recommendation:* The Department of Motor Vehicles should take steps to formalize its policies for the assignment of State vehicles and examine those procedures for conformance with Internal Revenue Service guidelines. (See Recommendation 25.)

*Agency Response:* “The agency is in the process of updating and documenting policies and procedures for the assignment and use of State vehicles. These will be in conformance with recently distributed DAS General Letter No. 115, Revised March 2008, and will

include criteria for determining whether business use justifies the assignment of each agency vehicle.

As part of this process, DMV is conducting a survey of all currently assigned vehicles to determine if each meets the established criteria for assignment, and whether all necessary approvals have been secured. DMV will take appropriate steps to revoke individual assignments and/or make reassignments of vehicles to ensure the most efficient and cost effective use of agency resources.

In addition, our procedures and all vehicle assignments are being reviewed to ensure conformance with all applicable Internal Revenue Service guidelines.”

**Management of Telephone Resources:**

*Criteria:* The use of State telephones should be limited to official State business in order to maximize the availability of phone lines and minimize the amount of time employees spend on non-State business. In order to increase assurance that the phone charges incurred by the Agency are correct, employees’ supervisors should sign attesting to the accuracy of the invoices.

Most State agencies, in conjunction with the Department of Information Technology and through the agencies’ websites, have published telephone directories listing the phone numbers of most or all of their staff. This helps to facilitate communication with taxpayers and between State agencies.

*Condition:* The Department has a process in place to monitor phone usage at its Wethersfield facility. Monitoring of the Cheshire and Waterbury locations stopped in 2006. The capability has never existed at the branch offices.

A review of 94 monthly cell phone invoices from August 2005 found that 24 of them were not approved by a supervisor.

Direct phone numbers for almost all of the DMV staff working at the Rowland Government Center in Waterbury or the Wethersfield office were not accessible through the State website or any other means that is available to those outside of the DMV.

*Effect:* The utilization of DMV resources in the form of personnel and available telephone lines may not be as efficient as desired.

Improper use of cell phones may not be detected without supervisory review.

We understand and concur with the Department's decision to not publish the phone numbers of branch offices, as the workloads don't appear to permit heavy customer phone contact. The inability to readily obtain the phone numbers of DMV supervisory and administrative staff outside of the branch offices results in an increased burden on both the public and others within State government. It goes against the trend of open communication and accessibility within State government.

*Cause:* Changes in the systems used to monitor telephone usage created some questions on the part of DMV staff as to who was expected to examine the phone monitoring reports.

We were unable to determine a specific cause for DMV not publishing staff phone numbers.

*Recommendation:* The Department of Motor Vehicles should consider improving phone monitoring and cell phone usage processes and publishing employees' telephone numbers on the DMV website. (See Recommendation 26.)

*Agency Response:* "The Department of Motor Vehicles acknowledges the importance of cell phone usage accountability. The delivery of cell phone bills received to agency supervisors for review and approval commenced in April of 2007. Cell phone bills continue to be delivered to DMV supervisors for such review and approval as they are received from DOIT.

The agency is currently working on a project to upgrade the phone system used within the centralized Customer Phone Center. This upgrade, which is expected to take place in late 2008, will greatly enhance the customer service capabilities and functions provided by the system. It is also expected to provide the capability for customers to access agency staff by entering the name of the staff member they are seeking, without having to wait for the next available agent. The customer will then be connected to that staff member. The agency will take steps to publicize the Phone Center numbers as a way to contact staff. DMV believes that this strategy will still take advantage of the efficiencies of the Phone Center and yet allow greater access to other agency staff with whom the public or others may need to interact."

**Management of Software Inventories:**

*Criteria:* The State of Connecticut's Property Control Manual prescribes procedures for the maintenance of software inventory records, as well as software control policies and procedures. The Manual provides that software should be tracked by the machines that the applications reside in, and states that procedures should be in place for the surplus of software inventory.

Sound software inventory management practices call for the periodic inventory of software and audits to detect unauthorized software installations.

*Condition:* Software inventory records did not identify the computers in which applications were installed by inventory tag number or serial number.

Procedures have not been implemented for the periodic inventory of software, or the surplus of unnecessary software. Audits of personal computers are only done when they are updated.

*Effect:* The lack of adherence to software management policies increases the risk that the presence of unauthorized copies of software would go undetected and hinders the proper management of the disposal and upgrade of computers.

*Cause:* We attribute an apparent lack of administrative control over the inventory management process to be the cause of the conditions.

*Recommendation:* The Department should improve controls over software inventories by adhering to procedures promulgated by the State Comptroller's Office. (See Recommendation 27.)

*Agency Response:* "The Department of Motor Vehicles considers the control of software products a crucial part of inventory control. In November of 2007, the software product "Deski" was procured. This product will enable the agency to track software and the hardware it resides in. All software and the corresponding hardware are projected to be entered into this new system by the end of calendar year 2008."

**Maintenance of Equipment Inventory Records:**

## *Auditors of Public Accounts*

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<i>Criteria:</i>	<p>The State's Property Control Manual provides guidelines to State agencies on the management and record-keeping of equipment and other property.</p> <p>Section 4-33a of the General Statutes requires State agencies to promptly report breakdowns in the safekeeping of State resources.</p> <p>Section 4a-4 of the General Statutes authorizes the Commissioner of Administrative Services to devise ways to establish and maintain proper control of State property and provide for the transfer or disposal of surplus items.</p> <p>The State Comptroller relies on the amounts reported by agencies during the physical inventory process in order to procure sufficient insurance and to produce accurate financial statements.</p>
<i>Condition:</i>	<p>Our physical inspection of 87 equipment items at various locations throughout the DMV offices identified 18 items (20 percent of the items tested) that could not be located.</p> <p>Five of 20 surplus items were not supported by the proper authorization form.</p> <p>Forty-three laptop computers and 12 PCs were not placed on the asset management system until two years after they were received. Two years after that, the laptops still have not been put to use due to a lack of specialized software.</p> <p>Approximately 68 surplus items were disposed of without following proper procedures established by the Department of Administrative Services. The vendor that was permitted to take the items was not the vendor that DAS had contracted with for the disposal of such items.</p> <p>Nine items valued at almost \$20,000 in total were reported as lost or damaged but never taken off of the inventory records.</p>
<i>Effect:</i>	<p>Inventory values reported on the Agency's annual property report were not accurate. Statewide procedures for the disposal of surplus equipment were not adhered to. Acquiring equipment without placing it into service is an inefficient use of resources.</p>
<i>Cause:</i>	<p>While inventory management has improved from previous audits, communication between the operational units of the Department</p>

and with the Department of Administrative Services continued to breakdown, resulting in most of these instances.

*Recommendation:* The Department of Motor Vehicles should increase efforts to improve the management of equipment inventory toward the goal of improved reporting and better utilization of the items on hand. (See Recommendation 28.)

*Agency Response:* “The Department of Motor Vehicles considers the accountability for state assets to be of high importance. DMV has worked extensively with the Department of Administrative Services in streamlining the surplus property process. Procedures have been clarified. Problems with documentation of surplused items have been resolved. Procedures have been established to account for equipment acquired but not deployed. A review of agency computer equipment and the most efficient use of these assets is currently under review.”

#### **Other Matters – Commercial Driving Schools and Operator Retraining Program:**

In accordance with Sections 14-68 through 14-79 of the General Statutes, the Department of Motor Vehicles is responsible for the oversight of commercial driving schools. In accordance with Section 14-111g of the General Statutes, the Department is also responsible for administering an Operator Retraining Program for those drivers that commit multiple violations of certain types within a specific period of time. This Program is carried out by organizations under contract with the DMV.

In order to assess compliance with the October 2006 contracts issued to the Operator Retraining Program vendors, the DMV Internal Audit Unit performed audits of the four vendors during the end of the 2007 calendar year. The findings of those reviews yielded an assessment of \$13,000 against one of the vendors, as well as violations of contract provisions relating to class sizes and student evaluations. In addition, a performance bond from a vendor was found to have expired without DMV officials obtaining evidence of renewal. Resolution of these matters was being pursued by DMV and follow-up audits were being considered.

At the time this report was issued, there were ongoing investigations into allegations of improper activities being committed by a few driving schools and at least one of the contractors for the Operator Retraining Program. Additional allegations were aimed at the Department’s oversight of these entities. In response to the allegations, DMV designated a special counsel to investigate some of the assertions that were made. The allegations, if substantiated, will likely result in the need for enhancements to the internal controls over these DMV functions. Our subsequent audit report will cover the results of the audits and investigations discussed above and the steps the DMV takes to improve administrative controls over this Program.



## RECOMMENDATIONS

Our previous audit report contained 19 recommendations pertaining to Agency operations. There has been satisfactory resolution of six of those recommendations. The 13 remaining recommendations have been restated to reflect current conditions. Twelve 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 administer the Diesel Commercial Vehicle Inspection Program in accordance with Section 14-164i of the General Statutes. This finding has been modified to reflect current conditions. (See Recommendation 22.)
- The Department should continue efforts to upgrade systems to enable the preparation of accountability reports for revenue. This recommendation is being repeated. (See Recommendation 16.)
- Steps should be taken to reduce the backlog of cases within the Dealers and Repairers Unit, as well as providing for increased managerial oversight and enhancements to the security of files and the accountability of inspectors. This has been restated to reflect current conditions. (See Recommendation 24.)
- The Department should improve controls over equipment and software inventories. This recommendation is being repeated. (See Recommendations 27 and 28.)
- The Department should discontinue the practice of making estimated payments for the processing of drivers licenses. This issue has been resolved.
- The Department should establish an exit interview process to document the prompt recovery of Department resources, and verification of the termination of system access rights of employees and consultants prior to leaving. This recommendation has been modified to reflect current conditions. (See Recommendation 14.)
- The Department should increase efforts to ensure that timesheets are signed by the employee. This recommendation is not being repeated.
- The Department should improve administration of Workers' Compensation claims. This recommendation is being repeated. (See Recommendation 15.)
- 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. This recommendation is being modified to reflect current conditions. (See Recommendation 5.)

- The DMV should ensure that State Statutes and corresponding regulations are in place where required. This recommendation is modified to reflect current conditions. (See Recommendation 2.)
- The Department should occasionally expand its monitoring of telephone usage. This recommendation has been modified to reflect current conditions. (See Recommendation 26.)
- DMV should examine the process of tracking the receipt of document batches from the branch offices to address delays. This issue has been adequately addressed.
- The Department of Motor Vehicles should establish a process to provide for the independent review of staff responses to those citizen complaints that appear to be of a serious nature or suggest criminal activity. This recommendation has been modified to reflect current conditions. (See Recommendation 4.)
- 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, as well as investigating the process for issuing fines to those insurers that fail to report in a timely fashion. This recommendation is being repeated. (See Recommendation 23.)
- DMV should perform an evaluation of the digital display contract with the goal of competitively bidding the service. This recommendation has been repeated. (See Recommendation 20.)
- Steps should be taken to improve the administration of the Operator Retraining Program. This recommendation has been addressed.
- Steps should be taken to improve the administration of the Substance Abuse Treatment Program. This recommendation is not being repeated.
- The Department should evaluate the staffing needs within the Legal Services Division. This recommendation is not being repeated.
- The Department of Motor Vehicles should consider adopting established standards for the Internal Audit Unit and implement procedures for the prompt follow-up of audit recommendations. This recommendation has been repeated. (See Recommendation 8.)

*Current Audit Recommendations:*

- 1. The Department of Motor Vehicles should clarify the statutory meeting requirements of the Motor Carrier Advisory Council and initiate steps to have the Council comply with the public meeting requirements of Sections 14-11c, subsection (c), and 1-225 of the General Statutes.**

Comment:

The Council was only holding annual meetings instead of the four required by Statute. In addition, a schedule of meetings was not filed with the Office of the Secretary of the State.

- 2. The Department of Motor Vehicles should increase efforts to promptly enact new or amended Regulations wherever called for by the General Statutes.**

Comment:

At the time of our review, regulations had not been established or updated for a number of Statutes.

- 3. The Department of Motor Vehicles should initiate procedures to provide for the reporting of the misuse of State funds as required by Section 4-33a of the General Statutes.**

Comment:

A review of Internal Audit reports and Human Resource investigatory files revealed a number of instances that should have been reported as required.

- 4. The Department should enhance the process used to review and track citizen complaints by recording cases as closed only upon completion of the investigations and utilizing the resources of the Internal Audit and Investigative units to independently review the matters when resources permit.**

Comment:

Logs used to track the receipt and resolution of complaints indicated that reviews were closed at the point they were initiated, instead of at the point they were completed. Most complaints were assigned to Bureau Chiefs responsible for the areas instead of an independent person.

5. **The Department of Motor Vehicles should continue efforts to create a comprehensive disaster recovery plan. A formal agreement should be entered into with the Department of Information Technology (DOIT) clarifying the division of responsibilities between DOIT and DMV.**

Comment:

DMV did not have arrangements for its midrange applications in the event of a calamity, and did not have a written agreement with DOIT regarding the major applications.

6. **The Department of Motor Vehicles should initiate periodic unannounced reviews of the Agency's computer resources, as well as provide employees with more frequent reminders of the State's policies and the penalties facing violators.**

Comment:

A limited review of network files found evidence of a de-minimus amount of files that lacked a clear business purpose, and were in some cases clearly inappropriate. In addition, one employee was found by the Department to have accessed and downloaded a significant amount of inappropriate material from the Internet.

7. **The Department of Motor Vehicles should evaluate the current procedures for monitoring the Administrative Hearings Unit's caseload and consider requiring the entry of tickler dates in the database in order to focus efforts on those cases for which expected action(s) have not yet occurred. Steps should also be taken to improve accountability over the reporting of caseload data.**

Comment:

Reconciliations of the number of cases in the database to the number of cases opened and closed were not performed. The lack of detail in the database decreased its effectiveness as a tool to monitor progress on certain cases.

8. **The Department of Motor Vehicles should consider adopting established standards for the Internal Audit Unit and implement procedures providing for the timely receipt of management responses and the prompt follow-up of audit recommendations. In addition, the Unit should generally be made aware of internal DMV investigations.**

Comment:

The Internal Audit Unit had not adopted a set of professional standards, and management responses to audit findings were not received in a timely manner.

- 9. The Department should consider enhancing internal controls by resurrecting the Forms Management Committee and establishing procedures for the recall of outdated forms.**

Comment:

The Department did not have a process in place to verify that the current versions of all forms were the only ones being used, and some forms were found to be out of date or technically incorrect.

- 10. The Department should continue its efforts to correct the errors made in the recording of compensatory time.**

Comment:

Payroll codes designed to temporarily record the use of certain compensatory time were never corrected.

- 11. The Department should perform a review of all positions that are not being used in accordance with the job specifications and either restructure the duties to coincide with the formal job specifications or consult with the Department of Administrative Services to rewrite the specifications.**

Comment:

We continued to note at least 20 positions that were not being utilized in accordance with the corresponding job descriptions.

- 12. The Department should document periodic assessments of the staffing needs of the Emissions Program to provide assurance that the staffing levels are warranted.**

Comment:

The allocation of positions to the Emissions Program was not based on a documented plan, and the number of inspector positions had not been adjusted based on the results that had been obtained.

- 13. The Department of Motor Vehicles should take steps to obtain the intended working schedules of employees seeking dual employment arrangements prior to approving them.**

Comment:

Three out of six employees with dual employment arrangements did not identify a specific work schedule for DMV to evaluate.

- 14. The Department of Motor Vehicles should implement procedures that provide for an exit interview process for separating employees in order to document the return of State property and conduct the required ethics interviews.**

Comment:

Exit interviews and documents evidencing the return of State property by separating employees were not in evidence during the audited period.

- 15. The Department of Motor Vehicles should take steps to improve the administration of workers' compensation first checks in order to comply with relevant requirements.**

Comment:

The Department's Internal Audit Unit found that the statutory requirements for depositing workers' compensation first checks were not being adhered to.

- 16. The Department should continue its efforts to pursue system upgrades that will enable the preparation of accountability reports for the primary sources of revenue.**

Comment:

As noted in previous audits, the Department was unable to produce accountability reports for most of its revenue sources without modifications to its databases.

- 17. The Department of Motor Vehicles should formalize a process to periodically reconcile the receipt of emissions late fees to the number of late emissions tests performed based on the emissions database.**

Comment:

Attempts to reconcile the activity in the separate databases revealed a large number of discrepancies.

- 18. The Department of Motor Vehicles should contact the Department of Revenue Services for guidance on how to best verify the non-profit status of entities requesting reduced fees and sales tax exemptions while registering vehicles.**

Comment:

Sufficient support of the entities' non-profit status, based on the requirements of the Department of Revenue Services, was not available in three of the four registration transactions that we reviewed.

- 19. The Department of Motor Vehicles should initiate steps to bring the wrecker registration process into conformance with the biennial provisions of Section 14-66 of the General Statutes.**

Comment:

As noted in prior audits, the Department continued to renew wrecker registrations on an annual basis, despite statutory provisions.

- 20. The Department of Motor Vehicles should perform an evaluation of the digital display contract with the goals of competitively bidding such service.**

Comment:

Bidding out such a service could result in a revenue-generating activity.

- 21. The Department should consider establishing procedures for the periodic reconciliation of complaint tickets issued and reemphasize existing policy for the proper administration of the documents.**

Comment:

Procedures established to provide assurance that all documents are accounted for were not being adhered to.

- 22. The Department of Motor Vehicles should continue efforts to seek amendments to the relevant legislation to clarify the Department's responsibilities relative to the Diesel-Powered Commercial Vehicle Emissions Testing Program. In addition, the Department should take steps to be in compliance with the provisions of all relevant statutory and regulatory provisions.**

Comment:

The DMV has initiated steps to amend the relevant legislation, but the desired changes had not yet been enacted. In addition, DMV could not track repeat offenders and was

using language in the “second notice” letters that was inconsistent with statutory provisions.

23. **The Department of Motor Vehicles should attempt to strengthen enforcement over uninsured motor vehicles by properly assessing penalties for any periods in which a vehicle is uninsured, as well as investigating the process for issuing fines to those insurers that fail to report in a timely fashion. In addition, efforts should be made to obtain the resources and legislative authority necessary to establish a mandatory on-line system to exchange insurance information with insurance companies. Administrative hearings for uninsured motorists should be held outside of the Insurance Compliance Unit itself.**

Comment:

Lapses of up to 14 days were not being pursued by the Department. Registrants were permitted to avoid the penalties by turning in license plates, despite the lack of a corresponding statutory provision.

24. **The Department should take action to reduce the backlog of open cases assigned to the investigators and hearings staff in the Dealers and Repairers Unit, as well as evaluating the procedures in place within the Unit to provide for increased managerial oversight and accountability of inspectors’ time.**

Comment:

We continued to note a large number of pending cases in the Dealers and Repairers Unit, as well deficiencies in the maintenance of case files and the database used to track the cases.

25. **The Department of Motor Vehicles should take steps to formalize its policies for the assignment of State vehicles and examine those procedures for conformance with Internal Revenue Service guidelines.**

Comment:

Existing DMV policies did not include criteria for determining whether the business use justified the assignment of a vehicle. It did not appear that all employees receiving an income tax exemption for the value of the vehicle usage were necessarily eligible.

26. **The Department of Motor Vehicles should consider improving phone monitoring and cell phone usage processes and publishing employees’ telephone numbers on the DMV website.**

Comment:

Monitoring of the Cheshire and Waterbury offices stopped in 2006. Cell phone bills were not regularly approved by supervisors. Direct phone numbers of DMV staff were not available through the DMV website.

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

Comment:

Software inventory records did not permit identifying the computers in which the applications were installed. Procedures for handling surplus software were not in place.

- 28. The Department of Motor Vehicles should increase efforts to improve the management of equipment inventory toward the goal of improved reporting and better utilization of the items on hand.**

Comment:

Twenty percent of the items we attempted to find could not be located. Twenty-five percent of the surplus items were not supported by proper documentation. Laptops and PCs were not placed on the asset management system until two years after they were received. Two years after that, the laptops were still not put into service.

## 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, 2005 and 2006. 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, 2005 and 2006 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 auditing standards generally accepted in the United States of America and the standards applicable to financial 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 controls 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 Vehicle's 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, 2005, and 2006, 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 Controls over Financial Operations, Safeguarding of Assets and Compliance:**

The management of the Department of Motor Vehicles is responsible for establishing and maintaining effective internal controls 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 controls 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 Vehicle's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal controls over those control objectives.

However, we noted certain matters involving the internal controls 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 controls 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 findings represent reportable conditions: The inability of the Agency to produce accurate 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 by 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 controls over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. We believe the reportable condition described above to be a material or significant weakness.

We also noted other matters involving the internal controls 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