

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF MOTOR VEHICLES
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 and 2008*

AUDITORS OF PUBLIC ACCOUNTS
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**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, 2007 and 2008. 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.

Ralph J. Carpenter served as Commissioner until August 4, 2006, when he was succeeded by Deputy Commissioner William Ramirez. Robert Ward was appointed as Commissioner on January 4, 2007, and served through the remainder of the audited period.

Legislative Changes:

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

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.

Public Act 07-167 made certain changes to various DMV statutes, all of which were effective October 1, 2007:

Section 6 added certain officials to the list of people that may submit a written request to DMV asking that only their business address be available for disclosure from license and registration records.

Section 11 extended more stringent Federal insurance requirements to certain carriers that are not explicitly mentioned in Federal regulations. Effective October 1, 2007, all Connecticut for-hire carriers and private carriers of property or passengers, as well as the owner of any vehicle that transports hazardous materials requiring warning placards under Federal law, will be required to show in their semiannual filing with DMV that they have maintained at least the minimum level of insurance required by Federal law.

Section 13 requires each external applicant for a position at DMV to state whether they have ever been convicted of a crime or if charges are pending against them at the time of application. If charges are pending, applicants are required to identify what they are and the court in which they are pending. All applicants offered employment will be required to be fingerprinted and submit to state and national criminal history record checks.

Section 15 eliminates a \$50 fee that was to have been charged vehicle owners whose license plates were confiscated by law enforcement when found having a suspended registration for failure to maintain insurance. This fee has been very rarely assessed since such vehicles are generally towed.

Section 18 prescribes the information that must be included on every driver's license and identity card: (1) full legal name, (2) date of birth, (3) gender, (4) height and eye color, (5) license/ID card number, (6) Connecticut address of principal residence, (7) signature, (8) digital image, (9) physical security features to prevent tampering/counterfeiting, and (10) machine-readable technology (e.g. a bar code or magnetic strip). This Section also defines the term "full legal name" as the most complete version of the name that appears on a person's birth certificate, passport or other document accepted by the agency to verify identity, unless a legal document pertaining to a permanent change of name is presented.

Section 28 eliminates the \$70 biennial registration fee for vanpool vehicles.

Section 32 repeals the requirement, scheduled to take effect July 1, 2007, that DMV screen the vision of all licensed drivers at every other license renewal (expected to save the Transportation Fund approximately \$1.1 million per year). It also adds language allowing licensed automobile clubs or organizations (AAA) to charge not more than \$2 for every license renewal performed.

Public Act 07-224 revised DMV's processes, requirements, and checks for applicants seeking licenses and endorsements to drive school buses and school transportation vehicles (STVs), and placed new, related requirements upon carriers who employ such drivers.

Section 42 of Public Act 07-1 of the June 2007 Special Session, effective July 1, 2007, carries forward the unexpended balance of funds that were previously carried forward from the Reserve for Salary Adjustment account in the Special Transportation Fund, to DMV for the Commercial Vehicle Information Systems and Networks Project to the fiscal years ending June 30, 2008, and June 30, 2009. The estimated balance is less than \$250,000.

Section 43 of Public Act 07-1 of the June 2007 Special Session, effective July 1, 2007, carries forward the unexpended balance of funds originally appropriated for the Reflectorized License Plate Program and DMV's data processing system upgrades. Over \$15.5 million is carried forward to the fiscal years ended June 30, 2008 and 2009, to be spent on the registration and license systems upgrade.

Section 94 of Public Act 07-1 of the June 2007 Special Session reinstates the requirement that every motor vehicle operator, prior to every other license renewal, undergo a vision test after July 1, 2009. The screening may be performed by the DMV at the time of renewal or by a qualified, licensed health care professional within the twelve-month period preceding the license renewal.

Sections 20 and 21 of Public Act 07-5 of the June 2007 Special Session amended Public Act 07-224 which established the requirement that DMV check each applicant for a school bus or student transportation vehicle against the Department of Children and Families' child abuse registry. DMV is authorized to refuse an endorsement to any applicants listed as perpetrators of abuse.

Section 43 of Public Act 07-5 of the June 2007 Special Session reinstated the law requiring DMV to screen the vision of every licensed driver prior to every other license renewal. In lieu of the DMV screening, drivers are permitted to submit the results of a vision screening performed by a licensed, qualified health care professional within the preceding year. Public Act 07-167 repealed these requirements, and this Act reinstates them effective July 1, 2009.

Section 2 of Public Act 07-7 of the June 2007 Special Session authorized up to \$14 million in general obligation bonds for DMV's upgrade of its information technology systems, including the registration, suspension, driver services and driver license systems.

Section 99 of Public Act 07-7 of the June 2007 Special Session required, as of January 1, 2008, weigh station personnel to maintain logs for each shift conducted at all of the weigh

stations in Connecticut. The Commissioner of Public Safety must submit a written report that summarizes the information in the logs to the Transportation Committee beginning January 1, 2008, and semiannually thereafter. Each report must contain data for the preceding six months. It also requires the report to the Transportation Committee to be posted on the DMV and Department of Public Safety websites.

Section 6 of Public Act 08-98 expanded the Department of Environmental Protection's use of the five dollar greenhouse gas reduction fee that DMV began collecting upon registration of every new motor vehicle sold since January 1, 2007. The DEP is authorized to use 60 percent of the funds collected, which are deposited in the Clean Air account, for requirements associated with the greenhouse gas labeling and public education programs.

Public Act 08-104, effective May 27, 2008, eliminated the \$10 fee for the Gold Star Family license plate for immediate relatives of State residents killed in action while on active military duty.

Public Act 08-135, effective June 5, 2008, added Division of Criminal Justice inspectors to the list of Federal, State, and local employees who may request that the DMV substitute their business addresses for their residential addresses on records that are available for public disclosure or inspection.

Public Act 08-150, effective October 1, 2008, was the Department's omnibus bill that made numerous revisions to DMV statutes:

Section 3 created a class A misdemeanor for anyone, including any officer, employee, agent, or contractor of the DMV to sell or otherwise disclose any personal or highly restricted personal information obtained from DMV files for any unauthorized purpose. Anyone receiving such information from DMV records is also prohibited from subsequent sale or disclosure for an unauthorized purpose.

Section 13 made the performance of exhaust emissions inspections of heavy-duty commercial vehicles at the time of weight and safety inspections discretionary rather than mandatory.

Section 18 allowed the DMV, with the approval of the Governor, to extend the expiration dates of credentials under certain emergency or other circumstances where the DMV may be closed or unable to perform transactions in an effective or secure manner.

Section 19 authorized the DMV to establish a system to verify commercial motor vehicle insurance coverage electronically.

Section 41 modified the requirements for holding meetings of the Motor Carrier Advisory Council, specifying that a regular meeting be held semiannually before and after each regular session, and additional meetings may be convened at the call of the chair.

Section 42 gave DMV the discretion to decline to issue a notice of registration suspension for failure to maintain required insurance coverage if the registration is cancelled or if it cannot be established that the violation occurred for a period of more than 14 days.

RÉSUMÉ OF OPERATIONS:

General Fund Revenue:

While the majority of the Department’s revenue is deposited to the Special Transportation Fund, \$715,578 and \$739,132 was deposited to the General Fund during the 2007 and 2008 fiscal years, respectively. These amounts consisted primarily of receipts from municipalities in order to offset the cost of administering the delinquent property tax program as specified in Section 14-33, subsection (e), of the General Statutes.

Special Transportation Fund:

In accordance with Section 13b-61, subsection (b) of the General Statutes, the majority of the Department of Motor Vehicles’ revenues are deposited to the Special Transportation Fund. The following schedule outlines the Department’s deposits to the Special Transportation Fund:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Registrations	180,525,586	180,771,918	\$180,109,861
Temporary registrations	7,530,016	8,137,292	9,116,220
Operator licenses	33,488,065	31,555,933	33,383,500
Inspection of motor vehicles	3,204,858	3,377,903	3,474,102
Certificates of title	19,792,005	20,827,435	21,083,410
License examinations	5,714,441	6,470,079	6,469,482
Late fees, fines and costs	13,437,398	13,822,692	10,729,757
Interstate carrier permits	2,103,614	302,500	3,228,945
Safety plate fees	2,733,068	2,793,868	2,841,668
Emissions late fees	1,888,801	915,487	306,504
Emissions exemptions - 4 years	8,828,240	9,283,720	9,392,080
Sale of commercial information	27,920,883	29,921,223	30,695,779
Federal Clean Air Act	8,753,909	8,938,345	8,842,462
All others	<u>5,832,389</u>	<u>5,732,000</u>	<u>7,354,802</u>
Total	<u>\$321,753,273</u>	<u>\$322,850,395</u>	<u>\$327,028,572</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

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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.

Revenue from interstate carrier permits decreased during the 2007 fiscal year due to the elimination of the Federal Single State Registration System (SSRS) in preparation for the transition to the current Unified Carrier Registration Program (UCR).

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. A summary of Fund Expenditures is presented below:

	Fiscal Year Ended June 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Personal Services	\$42,961,018	\$41,189,479	\$38,086,698
Other Expenses	16,193,865	15,978,919	14,741,092
Equipment	729,205	993,683	687,249
Reflective License Plates	888,288	192,260	810,146
Insurance Enforcement	608,234	559,602	453,316
Other	<u>362,034</u>	<u>283,255</u>	<u>519,320</u>
Total	<u>\$61,742,644</u>	<u>\$59,197,198</u>	<u>\$55,297,821</u>

Special Revenue Funds – Federal and Other Restricted Accounts:

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:

	Fiscal Year Ended June 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Salaries	\$ 1,758,425	\$ 2,238,098	\$ 1,910,865
Other expenses	456,995	1,303,240	2,142,205
Equipment	<u>8,789</u>	<u>101,842</u>	<u>(51,779)</u>
Total	<u>\$2,224,209</u>	<u>\$ 3,643,180</u>	<u>\$ 4,001,291</u>

Emissions Enterprise Fund:

A vehicle emissions 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.

The following comparative summary shows revenues and expenditures of the Fund during the audited period and for the fiscal year ended June 30, 2006:

	Fiscal Year Ended June 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenue:			
Investment income	209,348	323,398	414,258
Total Revenue	<u>209,348</u>	<u>323,398</u>	<u>414,258</u>
Expenditures:			
Personal services and Fringe Benefits	6,528,459	5,268,180	6,583,135
All other expenditures	1,205,884	377,996	1,174,523
Total Expenditures	<u>7,734,343</u>	<u>5,646,176</u>	<u>7,757,658</u>
Excess of Revenue over Expenditures	(7,524,995)	(5,322,778)	(7,343,400)
Appropriation Transfer	6,500,000	4,000,000	1,600,000
Fund Balance at Beginning of Year	<u>5,640,637</u>	<u>6,963,415</u>	<u>12,706,815</u>
Fund Balance at End of Year	<u>\$ 4,615,642</u>	<u>\$ 5,640,637</u>	<u>\$ 6,963,415</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.

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 \$3,939,020 and \$4,376,273 during the fiscal years ended June 30, 2007 and 2008, 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:

	Fiscal Year Ended June 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Sales tax	\$ 64,863,384	\$ 67,895,765	\$ 68,418,669
DEP Clean Air Act fee	7,423,506	7,108,805	6,534,573
Boat registrations	5,350,920	5,362,676	5,369,300
Long Island Sound plates	199,600	192,723	210,565
Motorcycle rider education	216,216	203,064	198,029
Other miscellaneous receipts	<u>169,186</u>	<u>129,275</u>	<u>122,183</u>
Total	<u>\$ 78,222,812</u>	<u>\$ 80,892,308</u>	<u>\$ 80,853,319</u>

State Capital Projects:

Expenditures from State Capital Projects Funds totaled \$5,147,348 during the audited period. Most of the funds were expended for technology enhancements.

Performance Evaluation – Drivers’ Privacy Act and Related Confidentiality Issues:

We chose as part of this engagement to evaluate the Department’s handling of confidential and restricted data in response to the Federal Drivers’ Privacy Protection Act of 1994 (DPPA), as amended in 2000, and other relevant State statutes pertaining to the use and dissemination of such data.

The DPPA was enacted after the murder of an actress, whose assailant had gotten her address from that state’s Department of Motor Vehicles. The Act generally prohibits disclosing personal information that is submitted during the process of obtaining a driver’s license or vehicle registration.

“Personal information” as defined in both the Act and Connecticut General Statutes means information that identifies an individual, including photograph, social security number, driver’s license number, name, and address. “Highly restricted personal information” means an individual’s photograph, social security number, or medical information. While an individual’s date of birth is not specifically mentioned in the Act, common sense and concerns over the risk of identity theft would suggest that such data should be regarded as highly restricted personal information. Dates of birth by themselves cannot identify individuals. However, it would be rare that this data would be accumulated independent of other identifying information, thereby increasing the risk of misuse of this information.

Including dates of birth in the definition of “highly restricted personal information” would preclude it by law from being given to those private companies that contract with DMV and require such information to perform their business functions. Contractual provisions prohibit these companies from re-disclosing this information and this information would not be open under Freedom of Information laws.

During the course of our review, we became aware that a commercial database was providing registration information derived from DMV records to subscribers. This database included

complete dates of birth for most registrants. Based on concern that this data, which can help facilitate identity theft, may have been inappropriately released, we brought the matter to the attention of DMV staff. It was subsequently determined that the information was provided to the owner of the database by local tax assessors, who receive that information from the DMV in accordance with Section 14-163 of the General Statutes. Said Section requires that every December 1st, DMV provide to each municipal tax assessor a list of vehicles subject to property tax in each assessor's town. The list is to include the names and addresses of vehicle owners, along with the vehicle identification numbers.

While date of birth is not required to be sent to the local tax assessors, the assessors have found that information to be useful to help distinguish between persons of the same name, and urged DMV to continue to provide that information. However, the State Freedom of Information Commission has recently ruled that once in the custody of the municipality, the entire record is subject to disclosure and available to anyone that requests the DMV records from the towns. This condition increases the risk that identity theft can occur because name, address, and date of birth are together in one database. In order to provide assessors with sufficient data to carry out their duties, and at the same time reduce the risk of misuse, the DMV should consider modifying its database to provide only the year of birth, rather than the actual date of birth.

Section 1-217 of the General Statutes states that no public agency may disclose, under the Freedom of Information Act, residential addresses of certain public employees, including judges, sworn law enforcement officers, correctional and probation officers, etc. Section 14-10, subsection (e), of the General Statutes provides that the DMV shall disclose only a business address for certain groups of public employees, similar to those specified in Section 1-217, if a written request is submitted to the Commissioner and a business address is provided. Subsection (f) of said Section authorizes DMV to disclose personal information from a DMV record to any government agency carrying out its functions.

We were able to determine via inquiry that contrary to the above provisions, DMV was providing residential addresses as part of the registration master file being supplied to the assessors. It appears that this data would be necessary to accomplish the goal of providing the assessor with residential billing addresses and confirming that the taxpayer indeed lives in the municipality. DMV does have a process in place to flag those records that contain confidential addresses so that assessors may be cognizant of the intended restriction. However, as a result of the aforementioned Freedom of Information Commission decision, assessors appear to not be able to redact the residential addresses when a request for that entire database is made. At the time of this writing, there were approximately 5,400 registration records of some 2,100 individuals that had submitted requests to withhold their residential address. Residential addresses were part of the actual master record for only approximately 800 of these individuals because an unintended error in the DMV system blocked these addresses from the master registration records. In addition, most of the remaining 800 records were expired registrations, and only current registration records are provided to the municipalities. Thus, while not by design, the number of confidential address records being distributed appeared minimal, although we did not determine the exact number.

When these concerns were brought to the attention of the DMV Commissioner, DMV staff were instructed to immediately address this issue. Dates of birth that had been supplied to the local assessors were no longer to be provided. Local tax assessors complained about the restrictions placed on the data that was provided, and as a result legislation was drafted that was intended to clarify the responsibility of the assessors to maintain the confidentiality of information that they receive so that they could eventually continue to receive the confidential information. Public Act 10-110 was ultimately enacted to remedy this condition.

Agencies such as DMV that maintain confidential information should have a continuous process in place to independently identify and evaluate the risks associated with that data to ensure that the security and distribution by DMV, or entities it ultimately provides the data to, conforms with changing applicable laws. This becomes even more important as the DMV plans to migrate to the modernization project incorporating relational databases. DMV currently does not have such a process.

Based on the above, the Department of Motor Vehicles should consider instituting a continuous process to identify steps to be taken to ensure the security and protection of personal data in its custody and when given to outside entities. (See Recommendation 1.)

CONDITION OF RECORDS

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

Drivers' Privacy Protection Act and Related Confidentiality Issues:

- Criteria:* In order to prevent the misuse of personal data, adequate controls should be in place to prevent unauthorized distribution of such data when in the custody of DMV or entities that are the recipients of personal information.
- Condition:* Data that is sold by DMV to for-profit entities is covered by strict contract terms that spell out the permissible uses of that data. DMV monitors these companies for compliance with the contract terms.
- We noted that despite statutory provisions of confidentiality, certain personal information that was supplied to municipalities by DMV could be obtained from those municipalities under Freedom of Information laws. In some cases that information was found to have been resold to subscribers with personal information such as date of birth and residential address included.
- Effect:* There is an increased risk that personal information that is thought to have safeguards on it could be released, despite provisions that might lead a person to expect the data was confidential.
- Cause:* The Department had not fully considered the impact of the Freedom of Information laws on data that was released to municipalities, and does not have a process in place to actively identify risks of disclosure of confidential personal information.
- Recommendation:* The Department of Motor Vehicles should consider instituting a continuous process to identify steps to be taken to ensure the security and protection of personal data in its custody and when given to outside entities. (See Recommendation 1.)
- Agency Response:* “DMV takes its responsibility to safeguard personal information seriously. DMV has a process to review requests for personal information to ensure the release of that information is in compliance with existing statutes. When DMV became aware that assessors were required by the State Freedom of Information Commission to release personal information provided to them in accordance with C.G.S. §§ 14-10 and 14-163, immediate action was taken to provide only year of birth and not date of birth to the

municipalities. Subsequent to that, DMV requested legislative action which ultimately amended § 14-163 to preclude the release of any personal information that is not required to be disclosed under that section by the assessors. DMV believes the current Federal (DPPA) and State of Connecticut definitions of “highly restricted personal information” and “personal information” are appropriate. Of note, the inclusion of birth date in highly restrictive personal information would not have precluded releasing the information to the municipalities as they are using the information in order to fulfill their official functions, and therefore would fall within an exception under both the State and Federal law. However, inclusion of date of birth in the definition of “highly restricted personal information” could negatively impact DMV’s sale of data to private entities. As to the issue of releasing confidential addresses to the municipalities, the DMV computer systems have been modified. The lists of active registrations provided to the municipalities provide the individual’s mailing address instead of the confidential residential address. An indicator lets the assessors know that the individual is subject to property taxation in the town.”

Administration of Complaints Received by the Department:

Criteria: As a State Agency that regularly receives complaints from citizens, DMV should have a process in place to provide assurance to management and the public 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, as well as the retention of the case files in order to provide for subsequent review.

The Department has available to it the resources of the Internal Audit Unit and investigators from the Commercial Vehicle Safety Division (formerly the Compliance Review 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 received by the DMV Commissioner 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.

Our review performed during calendar year 2009 found that the tracking system indicated a total of 26 cases from calendar years 2006 and 2007 remained open. Twenty-two of these case files were unable to be located to verify their status.

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.

In addition, the former Compliance Review Unit received complaints from citizens, various police departments and local tax assessors. The number of complaints received averaged over 300 per year for the calendar years 2006 through 2008. A total of 278 cases received during the 2006, 2007 and 2008 calendar years were never assigned to an inspector and no action had been taken.

The DMV did not have a process in place to provide for the review of selected complaints by the Department's Internal Audit Unit. At the time of our review, the Department was in the process of reorganizing the process for handling all complaints received, but there were no documented provisions for the review of selected complaints by the Internal Audit Unit.

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.

The failure to maintain records makes it difficult to provide sufficient documentation of the status of a case.

The failure to provide for an independent review of selected files increases the risk that internal control weaknesses or the fact that DMV staff may not have thoroughly reviewed a given matter may go undetected. The high number of unassigned cases places into question whether the DMV had dedicated sufficient resources to these cases.

Cause: A lack of administrative oversight contributed to this condition. We were informed that the relocation of staff contributed to the inability to locate the older files.

Recommendation: The Department should enhance the process used to review and track complaints by recording cases as closed only upon completion of the investigations, ensuring that case files are retained for a sufficient period of time after closure, and utilizing the resources of the Internal Audit Unit to independently review selected matters when resources permit. (See Recommendation 2.)

Agency Response: “With respect to complaints received by the Commissioner's Office, a system for tracking customer complaints has been developed and is being utilized. The new system allows for a consolidation of information regarding each complaint, and a field notating the final resolution of the matter. When cases are received, the Commissioner's staff will answer the questions if possible, or contact the appropriate agency personnel, in many cases the Bureau Chief, who can respond on the Commissioner's behalf. Complaints alleging wrongdoing on the part of agency staff are normally referred to the Human Resources Division, Affirmative Action Office or the Investigations Unit within the Commercial Vehicle Safety Division, as appropriate. The Commissioner's staff follows up on all cases that have been referred to ensure a timely review and/or investigation of and response to complaints. Contrary to the audit statement that cases are closed when a draft response to the complainant is received, cases in fact are not considered closed until the customer has been contacted by the agency and their specific concern(s) addressed. Some cases are closed when an employee phones the customer and is able to answer their questions. Other cases are resolved by an email or letter from either the Commissioner or other agency personnel. Still others may not be closed until an investigation is completed and appropriate administrative action taken.

All files from 2008 through the present should be easily accessible.

With regard to complaints and investigations handled by the Compliance Review Unit, following its organizational move to the Commercial Vehicle Safety Division, an analysis is being conducted of its operating processes and procedures. Upon the completion of this review, appropriate changes to those processes and procedures will be made.

As part of the development of its Annual Audit Plan, the Internal Audit Unit will consider performing random reviews of complaints received and closed by the agency based on its risk analysis. This will be in addition to any reviews conducted by Internal Audit with respect to the review/investigation of the complaint itself.

Finally, through the IT Modernization Project, CIVLS, a new case management system will be available for the agency and will be utilized in part to track and manage complaints received by the agency.”

Statutory Reporting Requirements and Need for Statutory Revisions:

Criteria: In accordance with Section 15-155 of the General Statutes, a report is required of the Departments of Motor Vehicles and Environmental Protection by December 31st of each year, on the operation of the boating account, summarizing the activity for the year ended October 31st and including a budget for the next twelve months and recommendations concerning the operation of the account and boating safety and enforcement.

Section 27 of Public Act 2007-167 (which was never codified) required the Commissioner of DMV to issue a report by February 1, 2008 on issues relating to the use of electronic equipment by operators.

Section 14-211a of the General Statutes provides for a task force to examine the theft of motor vehicles. The group was supposed to review various facets of motor vehicle theft and report its findings by January 1, 1986.

Condition: The reports required by Section 15-155 and Section 27 of Public Act 2007-167 were not prepared during the audited period. The report required by Section 15-155 was prepared for the 2008 fiscal year, but only after an inquiry by a legislative office.

The task force created by Section 14-211a of the General Statutes has not had to meet since the production of its report in 1986.

Effect: The failure to meet statutory reporting requirements prevents the intended distribution of information to the individuals that desire the same in order to make informed decisions.

The updating and removal of outdated legislation serves to keep the content of the General Statutes free of irrelevant provisions and provide for some simplification.

Cause: The failure to produce the report in accordance with Section 15-155 was an oversight. These other conditions were caused primarily by DMV's intent to enact legislation that would remove these requirements, but the proposed bills were not acted upon during the 2009 Session.

Recommendation: The Department of Motor Vehicles should pursue legislation to remove outdated statutory provisions and take steps to ensure that reporting requirements are met. (See Recommendation 3.)

Agency Response: "As indicated in the Audit Report, the Department's failure to file a report under section 15-155 of the Connecticut General Statutes for the audit period was an oversight. The Department will submit a proposal for the 2011 legislative session that repeals outdated statutory provisions, particularly those containing reporting requirements on subject matter that is no longer relevant."

Procurement Issues:

Criteria: The Department of Administrative Services (DAS) has established statewide contracts for State agencies to use when trade labor services are needed on an emergency basis. These contracts specify the types of services that can be procured, and provide agreed-upon labor rates, establish firm mark-ups on materials, and set other terms and conditions. State agencies are permitted to use this contract for non-emergency repairs if approval is granted by the Department of Public Works. Since the quoted rates on the contract were specified to be for emergency (on-demand) work, they may have been higher than would be expected for routine scheduled services.

Sound business practices suggest that vendor invoices be reviewed for propriety prior to approving payment.

Condition: The Department used the DAS contract for the annual service of its air conditioning system, despite the fact that the repairs were not being done on an emergency basis. Approval from the Department of Public Works was not obtained. Approximately \$6,000 was expended in this fashion. Multiple purchase orders were issued, despite the fact that these services were all part of the same maintenance project. Quotations were not obtained from the

vendor prior to the work being done. The Department estimated the cost of the service based on previous years' costs, but these estimates were well under the final cost.

DMV hired a vendor with a State contract to remove computer equipment from the building. The contract specified thresholds at which the cost-per-item would decrease based on the quantity of items removed. The vendor inexplicably invoiced the Department on two separate invoices, avoiding the threshold for the additional discount that should have been obtained since the entire group of items was counted together. The additional cost to the Department was \$350.

A sample of snowplowing invoices found that the Department was invoiced for two snow "occasions" despite the terms of the contract that indicated the storm counted as one "occasion" based on Department of Transportation precipitation records. The apparent duplicate billing was \$5,350.

Effect: There is an increased risk that the cost of the goods and services provided was not as optimal as it could have been. State resources may not have been expended in the most cost-effective manner.

Cause: Administrative oversights contributed to these conditions.

Recommendation: The Department of Motor Vehicles should implement procedures to ensure that its use of established procurement contracts is in conformance with promulgated procedures and optimize the potential cost savings that can be obtained. (See Recommendation 4.)

Agency Response: "The Department of Motor Vehicles considers the compliance with procurement policies and procedures of the utmost importance. The trade labor contract and the procedure requirements have been reviewed extensively with staff. Detailed agency procedures have been implemented. The threshold discounts on the computer removal contract have been reinforced with fiscal staff. Vouchers processed in subsequent fiscal years have been reviewed and have found no further incidents. Future vouchers will be reviewed for contract compliance. The snow plowing vendor has been contacted for correction of their billing. Contract terms have been reviewed with staff. Overall contract compliance requirements will also be reinforced."

Processing of Employee Travel Reimbursements:

Criteria: General Letter 115 published by the Department of Administrative Services (DAS) states that employees should be reimbursed for travel while on official State business. The reimbursement should be calculated using an established rate and deducting the employees' normal round-trip commute.

Absent policies to the contrary, employees should be reimbursed for actual mileage traveled rather than estimates. Current technology provides for readily available websites to be used to accurately calculate the distance between two locations. The Connecticut Department of Transportation (DOT) publishes mileage charts that indicate the distance between two towns, but they are estimates based on the distance from the center of each town.

In order for employees to accurately calculate the amount that they are entitled to be reimbursed, the DMV should promulgate the procedures it uses in calculating these payments.

Condition: The Department often changes the mileage figures submitted by the employees to agree to the figures presented in the Connecticut Department of Transportation mileage charts. The DOT chart is not regarded as official and is published for reference only. Changing these reimbursement requests also creates a higher opportunity for error.

Based on commercial websites that are available free of charge, we calculated the actual distances traveled between locations. Three out of six reimbursements that we examined appeared to be significantly incorrect. Two resulted in apparent underpayments; the third resulted in an apparent overpayment.

The DMV has not sufficiently promulgated its policies related to mileage reimbursements.

Effect: The overall monetary impact to the State appears to be negligible, but the impact to any one employee may be relatively large. Since most employees are traveling the same routes repetitively, changing the method of calculating the distances would not increase the workload of the fiscal office after the first time a travel distance is calculated.

- Cause:* The DMV fiscal office has been using the DOT published mileage chart since 1986. By design, the chart can be off when calculating any particular travel distance. However, any errors were expected to average out.
- Recommendation:* The Department should consider adopting procedures employing current technologies that will result in employees receiving reimbursement for actual mileage traveled, instead of estimated travel distances. (See Recommendation 5.)
- Agency Response:* “Going forward, Fiscal Services will consider utilizing one of the mapping services available on the Internet in determining actual mileage traveled.”

Data Processing Disaster Recovery Plan:

- Criteria:* Sound business practices include provisions that organizations have current disaster recovery plans in place to enable critical operations to resume activity within a reasonable period after a disaster. This type of planning is best done during the initial design and implementation of a system, and should be periodically tested.
- Condition:* Our prior audits 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 formal 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.

In response to our prior recommendation, the DMV established two back-up servers at the Department of Transportation. However, the intended arrangement was not in the form of a written agreement delineating the roles of each Agency in the event the system needs to be implemented. In addition, the back-up servers had not been tested, and these servers are only intended to back up administrative support files and do not provide access to the various DMV databases.

The modernization project that DMV had begun working on was expected to take three to five years to complete. Plans exist to include detailed disaster recovery steps with that new system. However, the projected timeline for that project is too long to not take steps in the meantime to address the issue of disaster recovery.

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

Cause: DMV staff were 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. The devotion of resources to the new modernization project also limits the amount of time that can be devoted to disaster recovery.

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 6.)

Agency Response: “DMV’s Information Systems Technology (IST) Division has been working with DoIT on Disaster Recovery (DR) planning. IST participates twice a year in DR exercises with DoIT and is working with DoIT to review DR procedures for DMV Mainframe Systems and recovery time objectives related to the mainframe.

The DMV Modernization Project Team (CIVLS) has also been working with DoIT to establish a DR site to house the new DMV systems and the current midrange systems. It was determined through a solutions alternative review that all DR activities will be included as tasks within the CIVLS project. DoIT does not currently have the existing physical space to host additional servers for DR. This will necessitate DoIT finding temporary locations within the existing State infrastructure, such as the Dept. of Labor, to co-locate IT equipment as it looks to build an additional data center in order to meet both DMV’s and the State’s other expanding requirements for additional physical space in order to accommodate growth and DR.

In the interim, IST has established a two server environment at the Department of Transportation (DOT) and has also established synchronous file replication of our Agency business files and

folders to accommodate DMV's administrative responsibilities. IST is also replicating specific files and folders from the agency's Midrange servers to the servers at DOT. DMV has not purchased a second set of Midrange Systems Software for the DOT Site since it would be cost prohibitive to have a second set of back up software sitting there. In the event of an emergency, our solution is to reload the software for our back up files on to the servers at DOT, then synchronize the data in order to re-establish the Midrange system, in a limited capacity, at DOT. IST is continuing to work to create a more expansive plan with DOT to use on an interim basis.

Ultimately, the CIVLS project, in conjunction with DoIT, will develop a permanent DR site for DMV's systems. In the meantime, the agency will continue to coordinate the use of DOT as its administrative DR site, until the other alternatives are available through DoIT."

Administration of the Internal Audit Unit:

Criteria: Professional internal auditing standards are recommended guidelines that 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.

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 cognizant of them in order to offer assistance, avoid unintentional interference, and ensure that the investigatory 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 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 of the Internal Audit Unit to use documented risk assessments can impact the allocation of resources, preventing those resources from being used in a manner that results in the largest expected benefit.

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 develop risk assessments to support the use of resources in certain areas. In addition, the Unit should generally be made aware of internal DMV investigations. (See Recommendation 7.)

Agency Response: “As has been noted in the Agency’s responses in previous Auditors’ Reports, the Internal Audit Unit generally follows the “Government Auditing Standards” issued by the U.S. General Accounting Office. The department recognizes the need to modify these procedures to best meet State and department needs while operating in our current resource-constrained environment. The department also recognizes the value of formally adopting the resulting standards. Development of standards has been initiated with the intent of completing the development in FY2011. Guidance as to which internal entity should conduct an investigation, e.g. management, Internal Audit, Affirmative Action, HR, etc., as well as when other internal entities need be cognizant of the investigation will be developed during that effort. The Internal Audit Unit will work with agency management to identify and analyze relevant risks prior to developing each year’s audit plan. DMV also expects that the audit plan will be modified to reflect changes resulting from and capabilities available through the new CIVLS system.”

Revocation of Credentials for Bad Checks:

Criteria: The DMV has procedures in place that provide for the suspension of a credential (license, registration, etc) if the customer provides the Department with a bad check to pay for that document. In order to restore a suspended credential, the customer is normally required to pay a restoration fee along with the original amount charged and related bank fees.

Condition: We sampled 18 bad check cases and found three instances in which the credential was not suspended in accordance with policy.

Effect: The failure to suspend the credentials in a timely fashion reduces the value of that process as a tool to generate recovery of the fees. The longer the time span between the issuance and suspension of the credential, the more likely the customer is to ignore the suspension because they may have already received the intended benefit of the transaction.

Cause: Clerical errors contributed to this condition.

Recommendation: The Department of Motor Vehicles should improve procedures related to the suspension of credentials when payments are made with bad checks. (See Recommendation 8.)

Agency Response: “The Department of Motor Vehicles considers the collection of revenue as a high priority to the agency. Procedures for the revocation of credentials due to returned checks have been reviewed and reinforced with staff. Returned check cases exceeding the thirty day due date have been verified for proper credential revocation. Ongoing reconciliations will be performed on future returned check cases.”

Transactions by Customers with Suspended Registrations:

Criteria: Section 14-50b, subsection (b), of the General Statutes provides that when a customer’s registration has been suspended, it is necessary to pay a restoration fee in order to restore the suspended registration or receive a new registration, whether for the same vehicle or a new one.

Section 14-35a of the General Statutes provides that in any instance where the DMV is authorized or required to suspend the registration of a motor vehicle, the DMV may suspend the privilege of the owner to transfer such suspended registration or register another vehicle.

Condition: DMV practice as explained to us permits a customer to register another vehicle if a vehicle’s registration has been revoked or suspended, as long as the customer’s “registration privileges” are not suspended. Registration privileges are normally suspended for specific reasons, despite the provision of Section 14-35a.

Effect: Customers appear to be able to avoid the payment of the restoration fee, resulting in reduced revenue and diminishing the intended purpose of the fee, which is to promote compliance.

Cause: It appears that the provisions of Section 14-50b are not known to all staff, and the Department has not chosen to fully exercise its authority as permitted by Section 14-35a.

Recommendation: The Department of Motor Vehicles should implement procedures in accordance with Section 14-50b and Section 14-35a of the General Statutes to promote the payment of registration restoration fees by prohibiting customers that owe registration restoration fees from receiving any new registration. (See Recommendation 9.)

Agency Response: “DMV does not permit a customer to register a vehicle for which the registration has been suspended unless and until any and all requirements necessary for restoration have been met, including

payment of restoration fees. DMV will review the issue of whether it can legally and/or should impose a “registration privilege suspension” against a vehicle owner whose registration for a specific vehicle has been suspended or revoked. Enhancements to the agency’s IT systems that will be available through the CIVLS project will enable DMV to identify all vehicles registered to a particular owner, something that is difficult to do with current system limitations.”

Compliance with State Ethics Mandates:

Criteria: 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.

Governor Rell’s Executive Order Number 1 calls for an ethics training program to be established to provide ethics training to all Executive Branch employees and public officials.

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

The Department was unable to document that all staff had received ethics training. Training was provided for Agency managers in December 2006.

Effect: The failure to hold exit interviews doesn’t afford DMV the opportunity to obtain information from the employees and increases the risk that employees may enter into situations after separation that could present an ethical conflict.

The failure to provide the intended training to all employees increases the risk that violations of the laws may occur.

Cause: A lack of administrative oversight contributed to this condition. The Department felt that the availability of on-line training was sufficient to provide training to those that choose to participate. However, the Department could not document the number of employees that may have completed this training.

Recommendation: The Department of Motor Vehicles should implement procedures that include ethics interviews for separating employees and conduct the required ethics training. (See Recommendation 10.)

Agency Response: “DMV believes that it is in compliance with the provisions of both Governor Rell’s Executive Order Number 1 and the Ethics Compliance Plan.

There is no requirement in either that the training be provided to all Executive Branch employees. DMV provides copies of the agency’s ethics policy and any pertinent statutes to all people interviewing for employment at DMV, new employees upon hire, and all agency employees when the policy is revised and with each change in commissioner. Additional copies are posted throughout the agency. The topic of ethics is also incorporated within the orientation program for all new employees. Finally, as noted previously, the department has provided ethics training to all managers. The department believes that, given staffing shortages and fiscal restrictions, it would not be an effective use of resources to provide formal training beyond what has already been done, especially given that there is on-line training available from the Office of State Ethics for any interested employee.

With respect to exit interviews, the Affirmative Action Office coordinates this function. Each employee who leaves the agency is provided with a copy of the provisions of the State and agency ethics policies regarding post employment restrictions. In addition, each employee is afforded an opportunity to provide feedback about their employment experiences, suggestions for improvements, etc. Finally, each employee is afforded an opportunity, if they so desire, to discuss any ethics questions they may have with the agency’s Ethics Officer.”

Auditors Concluding Comment:

Executive Order Number 1 issued by Governor Rell calls for an ethics training program for Executive Branch employees. Section 1-81, subsection (a)(5), of the General Statutes states that the Office of State Ethics shall provide yearly training to all State employees regarding the Code of Ethics. Section 1-81, subsection (h), of the General Statutes states that the general counsel of the Office of State Ethics shall oversee yearly training of all state personnel in the Code of Ethics. Collectively, these provisions appear to support our assertion.

Longevity Payments at Termination:

- Criteria:* Employees receiving semi-annual longevity payments are permitted to receive a pro-rated longevity amount upon retirement, based on the month they are retiring in.
- Condition:* We noted six employees that received duplicated longevity payments at retirement. All of the affected employees received their scheduled longevity payments and again received the full semi-annual amount in their final checks. The total that was expended in error was \$6,105.
- Effect:* The amounts duplicated were paid unnecessarily resulting in an inefficient use of State resources.
- Cause:* We were unable to determine why the specific errors were made.
- Recommendation:* The Department of Motor Vehicles should exercise greater care in the calculation of longevity payments for retiring employees. (See Recommendation 11.)
- Agency Response:* “To resolve this issue, when an employee retires a review will be made to determine if a pro-rated longevity payment is due. If a pro-rated longevity payment is due, Payroll will manually enter the pro-rated amount due into the Core-CT system. Once the pro-rated amount is entered and the program runs over night the following morning, the “review paycheck screen” in the Core-CT system will be checked by Payroll to ensure the retiring employee is not over paid. At that time, any necessary adjustments will be made. In addition, as a double check, on the Wednesday of the non-pay week, a payroll register on demand from the Core-CT system will be run by Payroll and reviewed to verify that the retiring employee is being paid correctly, before the payroll is confirmed on that Thursday.”

Payroll Issues at DMV Branches:

- Criteria:* The larger DMV branches utilize the Branch Manager 3 title to designate the staff responsible for the operation of those branches. This title has been designated as being of a managerial capacity. In accordance with procedures promulgated by the Department of Administrative Services, managerial employees are not entitled to compensatory time unless the hours worked are approved in advance and significant in terms of the total hours and duration.

The minimal time spent during the course of any one day is regarded to be part of the duties associated with the position and not intended to be compensated beyond the normal salary.

Many branches use a sign-in system to record the detailed daily arrival and departure times of employees. Procedures exist for the use of leave time in the event an employee arrives late or needs to leave early. The information recorded on the daily sign-in sheets should be reconciled to the official attendance record to ensure that all entries are complete and accurate.

The tracking of employees' accrued leave balances should be done in the most expeditious manner to minimize the amount of time it takes to record this information and to facilitate inquiries by staff and their supervisors.

Condition:

We noted at one branch that the Branch Manager 3 was not consistently charging leave time when arriving late or leaving early. We were informed that this condition may exist throughout the Department, as the staff with that title are required on occasion to work extra hours and are not authorized to receive overtime or compensatory time. There was no evidence of DMV establishing a procedure that authorized this practice, and records indicating the amounts of time due to the employees were not evident.

We noted a number of instances in which the recording of employees' time on the daily sign-in sheets did not match the official time record.

Our observations made during visits to the branches found that the branch managers and supervisors were spending a notable amount of time manually recording the use and accrual of leave time by branch employees.

Effect:

It appears that the Branch Manager 3 positions are receiving unauthorized compensatory time.

Leave balances are overstated when time taken is not recorded in the official records.

The use of staff time to manually track individuals' accrued leave balances is an inefficient use of resources and should not be necessary, as the State's Core-CT system performs the same function in an automated environment.

- Cause:* We were informed that the employees with the Branch Manager 3 title believed the actions to be allowable based on past practice.
- The lack of managerial oversight contributed to the errors in the accrual balances.
- DMV staff had not considered the need for modifications to the Core-CT system to allow the proper level of access by branch staff in order to permit access to only their own branches' employees. Core-CT staff are working on a solution to this.
- Recommendation:* The Department of Motor Vehicles should evaluate their payroll practices at the branches with the goal of bringing the practices into compliance with promulgated procedures and enhancing the accuracy and efficiency of the recordkeeping. (See Recommendation 12.)
- Agency Response:* "As stated in the Audit Report, one branch (Hamden) was cited for lax procedures in place for coordinating accurate payroll information. This situation has been addressed and corrected. In addition, all Branch Managers were advised in a Branch Manager's meeting on January 29, 2010 that following the procedure was their responsibility and should not be entrusted to others within the branch office. Periodic reviews by the payroll unit will ensure that this procedure is being followed."

Review of Personnel Actions:

- Criteria:* Supervisory authorization and approval is a key part of ensuring the propriety of personnel record changes. There should be a process in place to review and authorize changes to employees' personnel records.
- Condition:* The Core-CT system is capable of generating a Personnel Actions History Report that details the changes made to various personnel records. The Department did not have a process in place to provide for the review of that report. While there was a process in place to review changes made by the Human Resources Unit, this report was not independently produced and may not include all changes that were made to a particular record.
- Effect:* Unauthorized or erroneous changes to personnel records may go undetected or not be detected in a timely manner.

- Cause:* The Department has considered the review that was being performed sufficient.
- Recommendation:* The Department should consider utilizing the Personnel Actions History Report to review the changes made to personnel records on a regular basis. (See Recommendation 13.)
- Agency Response:* “The DMV HR and Payroll Division will use the Personnel Actions History Report to confirm that transactions from the DMV Action Sheets have been processed correctly in Core-CT. These reviews will be conducted on a bi-weekly basis.”

Revenue Accountability Reports:

- Criteria:* In accordance with the State of Connecticut’s State Accounting Manual, accountability reports should be periodically prepared for all major sources of revenue to compare the amounts that were actually recorded with the amounts that should have been accounted for.
- Condition:* 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 14.)

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 has been completed and the IT Modernization Project, CIVLS, is underway. In all discussions of this system upgrade, accountability of revenues has been stressed. The product selected has shown the ability to account for revenues through an automated process. The Department of Motor Vehicles is confident that the necessary revenue accountability reports will be available when the project is completed in 2012.”

Commercial Vehicle Registration Procedures:

Criteria: Section 14-47 of the General Statutes states that the DMV Commissioner shall determine the gross weight of each vehicle eligible for commercial registration. For the purpose of computing fees, gross weight shall be the weight of the vehicle plus the “rated load capacity as determined by the Commissioner”. It is unclear whether the intent of this provision is to allow the Commissioner to independently determine a vehicle’s weight rating, or whether the Commissioner is to determine the manufacturers’ rating. The term “rating” seems to imply a documented process to assess the capacity of a vehicle.

Sound internal controls would suggest that once a weight rating for a vehicle is adequately documented, such rating and corresponding registration fees should not change, absent sufficient documentation that the vehicle has been modified. Basing registration fees on the vehicle’s intended use rather than the rated capacity of a vehicle would appear to be arbitrary and not readily permit the reconciliation of weight ratings and registration fees with the make/model information available across the entire DMV registration database.

Condition: The DMV does not have a process to “rate” the load capacity of a vehicle other than to use the manufacturers rating or the weight capacity claimed by the registrant. It is unclear whether the intended authority of the Commissioner is to permit a “rating” other than that of the manufacturer when registering commercial vehicles.

The DMV has in place a practice that allows the registrant of a commercial vehicle to register the vehicle at a weight rating lower than that of the manufacturer if the intent of the registrant is to only use the vehicle at less than the manufacturers rated capacity.

In the 2009 legislative session, the DMV attempted to clarify Section 14-47 by amending the language to refer specifically to manufacturers' gross vehicle weight ratings. The proposal did not pass during that legislative session, and was not reintroduced during the subsequent session.

Effect: The process currently in place permits a vehicle to be rated at different gross weights as the intended use of a vehicle changes. This can impact the registration fees associated with that vehicle.

Cause: We were unable to determine a specific cause, but the failure of the proposed legislation contributed to this condition.

Recommendation: The Department of Motor Vehicles should continue to seek revisions to the provisions of Section 14-47 of the General Statutes to clarify the process for determining the gross weight of commercial vehicles for registration purposes. (See Recommendation 15.)

Agency Response: "DMV is in compliance with the current statutory provisions of Section 14-47 of the General Statutes. Although, as stated in the audit report, the Legislature rejected previous attempts by the Agency to amend the statute to clarify the process for determining the gross weight of commercial vehicles, DMV will review the issue to determine the feasibility of resubmitting proposed legislation to amend it."

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.

Section 14-164c, subsection (n), of the General Statutes permits DMV to suspend or revoke a registration for not testing a vehicle's emissions or paying the corresponding fees.

- Condition:* Our prior audit noted deficiencies in the process used to administer the emissions late fees. In April 2009, the DMV Internal Audit Unit issued a report listing a number of issues with the collection of emissions late fees. Among these were that DMV is not suspending the registrations of those vehicles that fail to be tested or pay the required fees. On-line registration processes do not have a mechanism in place to block the transaction until the late fee is paid. Records continue to indicate that the late fees were owed for certain vehicles when in fact they had been paid.
- Effect:* There is limited assurance that the required fees are being collected as intended. The failure to suspend the registrations of non-compliant vehicles avoids the opportunity to collect the \$125 restoration fee as well.
- Cause:* These conditions were due primarily to deficiencies in the system and the lack of the aforementioned revenue accountability reports. These deficiencies are intended to be addressed in the modernization project.
- Recommendation:* The Department of Motor Vehicles should take steps to address the deficiencies in the current emissions late fee process and ensure that the modernization project addresses the same issues. (See Recommendation 16.)
- Agency Response:* “A multi-unit work group has been reviewing emissions late fee issues. The group is in the process of compiling the results of its review of this matter, along with possible options and recommendations to be considered to address the issues identified. When this group submits its final report, an action plan will be developed to implement agreed upon changes. Additionally, the IT Modernization Project, CIVLS, will provide additional technology capabilities to address some of the issues involved in this matter.”

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.
- 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 prior audits have criticized the procedures in place within DMV to properly account for infraction and misdemeanor tickets issued by the DMV. A report issued by the DMV Internal Audit Unit in January 2009 found the same conditions we had noted in previous audits: the inability to perform timely reconciliations of the documents issued to those returned and submitted to the Judicial branch, data entry errors that were not corrected, ticket books not being used for years after issuance to staff, and the sharing of books between inspectors despite DMV policies prohibiting this practice.
- 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. The other conditions mentioned make the reconciliation more difficult.
- Cause:* There has been reliance on the audit process to constitute the maintenance of accountability, resulting 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 17.)
- Agency Response:* “A Divisional procedure, effective July 27, 2009, was put into place making CVSD the central issuing authority for the Agency. An electronic database was developed for the intake of new ticket books and they are issued by an office staff member (overall responsibility rests with a Lieutenant). Those books over one year old are considered stale and replaced with newer books. To avoid unnecessary waste, a schedule was developed to control the number of books issued, depending on the inspector’s assignment. Audits are to be conducted on a biennial basis to identify and account for all tickets in stock and those unused tickets that are assigned to inspectors.”

Diesel Commercial Vehicle Emissions Testing Program:

- Criteria:* Section 14-164i, subsection (f), of the General Statutes provides for penalties in the event of noncompliance with commercial diesel vehicle emissions levels, and provides for higher penalties for repeat offenders within one year of the first violation.

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.

Sufficient thresholds exist for determining whether a vehicle has achieved a passing score on an emissions test.

Condition: 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". Five of fifteen files examined by us found that the notices were sent beyond the 45-day period originally given to the violators. Such letters do not serve to gain compliance with the relevant Statutes if they are not timely and use permissive language instead of specifying that the registration will be suspended.

Two of the fifteen files we examined indicated that the vehicles had passed the tests, when in fact they had failed and were issued citations. Designating the scores as passing would avoid the subsequent monitoring of these vehicles for the needed repairs.

Effect: When enforcement mechanisms such as increased penalties, mandated registration suspensions and monitoring of repairs are not implemented as provided in law, there is a risk of reduced compliance.

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

Recommendation: The Department should design procedures within the Commercial Vehicle Diesel Emissions Program to comply with relevant statutory timeframes and enhance the compliance of offending vehicles. (See Recommendation 18.)

Agency Response: "In September 2009, DMV put into place a system to comply, as recommended. Possible second offenses are tracked via a centralized data base that is available to all division staff in need of that information so that appropriate administrative action can be taken."

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.

The Dealers and Repairers Unit was an area of many concerns in our prior audits, 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 deficiencies and perhaps inhibit continued activities that are not in compliance with laws and regulations. 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.

Condition: The Unit's Policy and Procedures Manual had not been updated in many years.

Reports produced by the Dealers and Repairers Unit indicated a total of 1,300 open cases at the time of our inquiry. Over one-half of these had been open for over six months, with 460 cases open over a year.

Our previous review of these case files found that many had not been worked on for months, and that some cases that were actually reported to be open were in fact closed. Our initial inquiry revealed that little had changed in that regard since the last audit regarding the reliability of the database, so we did not perform a review of specific case files. Our concern remained with the backlog, and the fact that the amount of time spent on a particular case was not documented.

Effect: The lack of a policy and procedures manual makes it difficult to adequately train newer staff and remind veteran staff of the necessary procedures.

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.

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. It should be noted that at the time of our review, the DMV was undergoing a reorganization that would move responsibility for the receipt and mediation of complaints to a new Consumer Relations Unit, and move responsibility for the actual investigation of complaints to the Commercial Vehicle Safety Division. Further assessment of the accomplishments of this reorganization will be done during the next audit.

Recommendation: The Department of Motor Vehicles should produce a procedures manual for the administration of the Dealers and Repairers Unit, as well as continue its efforts to reduce the backlog of complaint files pertaining to dealers and repairers and improve the accountability of investigators' time spent on each case. (See Recommendation 19.)

Agency Response: "In October 2009, the DMV underwent a reorganization, which included moving the responsibility for the Dealers and Repairers Complaint Unit to the Corporate and Public Relations Unit within the Office of Administration. The agency further reconstituted the unit to become the Consumer Complaint Center. It separated the backlog as of 10/1/2009 and assigned those cases for special and expeditious review during the next 12 months, with a target date of 9/30/10 for resolution of all backlog cases, under the direction of the Division Chief of the Commercial Vehicle Safety Division (CVSD), who oversees investigators assigned to resolve these backlogged cases. CVSD reports that significant progress is being made as of this date to resolve those outstanding cases by the target date.

Meanwhile, the Consumer Complaint Center started handling all new cases as of 10/1/09. New regulations, which can be considered the backbone of the policy and procedures manual referenced in

the recommendation, have been approved and instituted. An operations manual that provides more description on how to use the various procedures and processes in the new regulations is being drafted now.”

Lien Release Documentation:

Criteria: Section 14-188 of the General Statutes provides that upon satisfaction of a security interest in a vehicle for which the title is in possession of the lienholder, the lienholder shall execute a release of the security interest and deliver the title and release to the next lienholder or the owner, who shall deliver the title to the Commissioner of Motor Vehicles so that the lienholder’s rights can be released or a new title issued.

The process of recording and releasing vehicle liens should be timely, sufficiently documented, secure enough to prevent or deter fraud, and cost-effective. At least thirteen states have implemented an electronic lien system to address these concepts.

Condition: Our review of customer complaints received by the Commissioner’s Office found two instances in which the fraudulent release of liens resulted in lienholders losing their security interest in the vehicles.

There is no statutory requirement to notify a lienholder prior to recording a release. Therefore, lienholders are not being notified of the release of the liens, preventing them from indicating agreement that their positions have been satisfied.

Information available on the DMV website indicates that customers receiving titles from lienholders after the release of a lien need not send the title to DMV. This appears to contradict the provisions of Section 14-188. This also places the burden of maintaining the vehicle’s lien history with the owners rather than the DMV.

The Department was in the process of negotiating with a vendor for a new system that will accommodate electronic liens, but it was estimated that the project was three or four years from becoming reality. In the meantime, these conditions would continue to exist.

Effect: There is a higher risk to lienholders that their positions could be compromised without an opportunity to intercede. There is reduced assurance that a title search for a vehicle will indicate all of the lien activity for that vehicle.

- Cause:* We were unable to determine a specific cause for this condition.
- Recommendation:* The Department of Motor Vehicles should consider implementing procedures to increase the accuracy and reliability of lien releases by communicating with lienholders and/or requiring authentic documentation. (See Recommendation 20.)
- Agency Response:* “The agency will review the Statute, its procedures and its website and take appropriate action.”

Administration of Criminal Record History Information:

- Criteria:* The National Crime Prevention and Privacy Council, established by the National Crime Prevention and Privacy Act of 1998, has issued Security and Management Control Outsourcing Standards to permit the outsourcing of noncriminal justice administrative functions involving access to criminal history record information (CHRI) from the Interstate Identification Index System.
- Condition:* The United States Department of Justice, Federal Bureau of Investigation, conducted an audit of the noncriminal justice use of criminal history record information in March 2008, and released a report thereon on October 23, 2008. The audit found that DMV was in compliance with most of the Federal requirements assessed during the audit. However it was determined that the DMV outsourced the storage and destruction of records containing CHRI without obtaining approval from the Connecticut Department of Public Safety.
- The audit also noted that contrary to established voluntary guidelines, DMV did not have effective identity verification and fingerprint chain of custody procedures. Blank cards were provided to some applicants and DMV could not confirm that photographic identification was required when fingerprints were taken. A performance audit of the Department of Motor Vehicles’ controls related to the issuance of drivers’ licenses and identity cards was released by the Auditors of Public Accounts in May 2005. One of the findings in that audit noted the similar lack of security over fingerprint cards, increasing the risk that the fingerprints submitted for criminal record checks may not actually belong to the applicant.
- Effect:* Physical security of CHRI can be compromised if records are placed in the custody of unapproved contractors.

The failure to properly implement a chain of custody over fingerprint records makes it more difficult to ensure that the applicant is the actual subject of the record search.

Cause: The failure to obtain approval for the outsourcing was an oversight. A lack of administrative control contributed to the failure to adequately secure the fingerprint cards.

Recommendation: The Department of Motor Vehicles should take steps to enhance the procedures used in performing criminal record checks of license applicants. (See Recommendation 21.)

Agency Response: “The Agency has modified the storage of criminal history files for public service license applications and no longer outsources storage and destruction of records containing criminal history record information (“CHRI”). After consultation with the Agency’s State Records Retention Liaison Officer and the State Records Center, starting February 4, 2010, such files are sent to the State Records Center rather than a third party storage vendor. This keeps the CHRI, which we are obligated to retain, in files within State custody until the scheduled destruction eligibility date.

The Agency has consulted with the Connecticut Department of Public Safety (“CDPS”) to identify ways to improve the chain of custody over fingerprint records to ensure each applicant is the actual subject of the background record search. The goal is to encourage all applicants to use the Automated Fingerprint Identification System (“AFIS”) rather than manual fingerprint ink cards. CDPS is pursuing system software improvements to the Automated Fingerprint Identification System which will automate billing, and allow search results to be printed directly at the dedicated computer terminal assigned to the operating unit. These enhancements remove the applicant from the chain of custody immediately after the fingerprint is taken. Finally, the agency provided guidance to the law enforcement community through a Law Enforcement Bulletin distributed March 10, 2010.”

Collection of Sales Tax from DMV Licensees:

Criteria: The amount of sales tax collected from the sale of motor vehicles is higher, on an individual transaction basis, than most other types of transactions due to the relatively high values of vehicles. In order to maximize and hasten the receipt of sales tax from dealers from the sale of motor vehicles, collection of that tax by the DMV could occur at the time the vehicle is registered, as is done with

casual sales between private parties. Postponing the collection until periodic sales tax returns are submitted to the Department of Revenue Services increases the risk that a dealer, for a variety of reasons, may fail to remit the amount owed to the State in a timely manner.

Section 12-430, subpart (3), of the General Statutes states that evidence of sales tax payment is required before obtaining a vehicle registration. The Commissioner of Revenue Services has established regulations and corresponding procedures documenting the process to be used. Dealers and repairer facilities that sell a vehicle can either remit the sales tax for the sale of the vehicle to the DMV at the time of registration or remit the payment for that transaction when the entity files periodic sales tax returns. This process, however, does not itself constitute evidence that the tax was paid to the State, only that it was collected from the buyer and is intended to be paid to the State. A reconciliation process within the Department of Revenue Services is required to confirm that the correct amount of sales tax was remitted to the State.

When businesses that depend on a license from the State to operate become indebted to the State for failing to remit taxes that have already been collected, the State agency issuing the license should have the ability to suspend the license until the debt to the State is paid.

Condition:

Our review of the Department of Revenue Services' "Top 100" business tax debtors on the Internet found at least 11 entities that appeared to be automotive-related and likely to require licensure as a dealer or repairer by the DMV to conduct business. Each of these 11 entities owed sales and use taxes to the State of \$140,000 or more, with the total exceeding three million dollars. Details of how much of the amounts owed stemmed from sales of vehicles, as opposed to parts and repairs as well as interest and penalties, were unavailable. However, the risk presents itself that the amounts could include sales tax related to vehicle purchases.

The Dealer On-Line system used by most new car dealers and some of the larger used-car dealers has provisions for the recording and payment of sales tax at the time the registration transactions are processed. However, this feature has not been implemented.

The Department of Revenue Services shares information with the DMV on a regular basis. The DMV does not have a process in place to suspend a business license if the amounts owed to the State reach a certain threshold, nor does the DMV have the ability

to flag a licensee's record in order to require that sales tax be collected from the dealer at the time of individual sales of vehicles until the amounts owed are cleared up.

Effect: The opportunity to collect tax revenue owed to the State in a more timely fashion is reduced.

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

Recommendation: The Department of Motor Vehicles, in concert with the Department of Revenue Services, should consider taking steps to enhance the collection of sales tax by requiring the payment of tax at the time of registration and working with the Department of Revenue Services to suspend licenses of those licensees that owe the State large amounts of tax revenue. (See Recommendation 22.)

Agency Response: "The Department of Motor Vehicles deems the proper collection of revenues to be of extreme importance and it does not issue registrations without evidence of sales tax payment. Purchasers of vehicles from licensed dealers pay the sales tax to the dealer pursuant to a permit issued to the dealer by the Department of Revenue Services (DRS) per C.G.S. 12-409. Such sales taxes are paid prior to the registration of the vehicle. Those dealers do not pay the sales tax to DMV at the time of the registration of the vehicle, but rather they submit the tax directly to DRS in accordance with the provisions of their permit from DRS. Section 12-430, subsection (3), references the suspension or revocation of registrations referred to DMV by DRS as having failed to pay sales tax. However, DMV cannot punish the purchaser of the vehicle, who has a receipt showing payment of the tax to the dealer, for the failure of the dealer to remit to DRS the taxes collected by it.

DMV reviewed the list of the 11 automotive-related entities cited by the auditors as being among the "Top 100." None are presently licensed by DMV and therefore are not subject to DMV regulatory oversight.

Should DRS request DMV's assistance in enforcing the timely collection of sales taxes from dealers, DMV will work with it in this regard."

RECOMMENDATIONS

Our previous audit report contained 28 recommendations pertaining to Agency operations. There has been satisfactory resolution of 11 of those recommendations. Seven of the prior recommendations are not being repeated because at the time of our review the Department either had not had sufficient time since the last audit to address the matter, or a pending reorganization necessitated by an early retirement program was expected to impact the ability of the Department to execute plans to address the findings. The 10 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 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. This issue has been adequately addressed.
- The Department of Motor Vehicles should increase efforts to promptly enact new or amended Regulations wherever called for by the General Statutes. This issue has been adequately addressed.
- 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. This issue has been adequately addressed.
- 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. This recommendation is being modified to reflect current conditions. (See Recommendation 2.)
- 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. This recommendation has been repeated. (See Recommendation 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. This issue has been adequately addressed.

- 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. The Department was in the process of addressing this matter, but at the same time there were proposals to consolidate the administrative hearings functions of various agencies, including the DMV. As a result, we chose to examine this matter in more detail in the subsequent audit. The recommendation is not being repeated at this time.
- 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. This recommendation is being repeated. (See Recommendation 7.)
- The Department should consider enhancing internal controls by resurrecting the Forms Management Committee and establishing procedures for the recall of outdated forms. The Department had selected a vendor for a modernization project that was expected to dramatically impact the way DMV does business, including the design or elimination of certain forms. Designing changes to forms that were expected to be eliminated was seen as an inefficient use of resources. This concept will be revisited after the modernization project results are known. This recommendation is not being repeated at this time.
- The Department should continue its efforts to correct the errors made in the recording of compensatory time. This recommendation has been adequately resolved.
- 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. Organizational and staffing changes resulting from the early retirement program were expected to resolve many of the issues we had identified. We will revisit this after the Department responds to these necessary changes. This recommendation is not being repeated at this time.
- The Department should document periodic assessments of the staffing needs of the Emissions Program to provide assurance that the staffing levels are warranted. Organizational and staffing changes resulting from the early retirement program were expected to resolve many of the issues we had identified. We will revisit this after the Department responds to these necessary changes. This recommendation is not being repeated at this time.

- The Department of Motor Vehicles should take steps to obtain the intended working schedules of employees seeking dual employment arrangements prior to approving them. This recommendation has been adequately addressed.
- 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. This recommendation has been revised to reflect current conditions. (See Recommendation 10.)
- The Department of Motor Vehicles should take steps to improve the administration of workers' compensation first checks in order to comply with relevant requirements. This recommendation has been adequately addressed.
- The Department should continue its efforts to pursue system upgrades that will enable the preparation of accountability reports for the primary sources of revenue. This recommendation is being repeated. (See Recommendation 14.)
- 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. This recommendation is being repeated. (See Recommendation 16.)
- 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. This recommendation has been adequately addressed.
- 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. This recommendation has been adequately addressed.
- The Department of Motor Vehicles should perform an evaluation of the digital display contract with the goals of competitively bidding such service. This recommendation is not being repeated.
- 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. This recommendation is being revised to reflect current conditions. (See Recommendation 17.)
- 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. This recommendation is being revised to reflect current conditions. (See Recommendation 18.)

- 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. This recommendation is not being repeated due to the reorganization of the Department and the proposed transfer of administrative hearings officers to the Commission on Human Rights and Opportunities
- 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. This recommendation is being repeated. (See Recommendation 19.)
- 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. This recommendation is not being repeated because at the time of our review, DMV had reduced its fleet by more than 20 percent and was reassigning staff that had previously been assigned State vehicles. This area will be examined again during the subsequent audit. The recommendation is not being repeated at this time.
- The Department of Motor Vehicles should consider improving phone monitoring and cell phone usage processes and publishing employees' telephone numbers on the DMV website. This recommendation is not being repeated due to the move from Waterbury and the intended implementation of an automated telephone system. This will be revisited during our next engagement and is not being repeated at this time.
- The Department should improve controls over software inventories by adhering to procedures promulgated by the State Comptroller's Office. This recommendation has been adequately addressed.
- 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. This recommendation has been adequately addressed.

Current Audit Recommendations:

- 1. The Department of Motor Vehicles should consider instituting a continuous process to identify steps to be taken to ensure the security and protection of personal data in its custody and when given to outside entities.**

Comment:

At the time of our review, we found that personal information that could be used to steal an identity was capable of being obtained from municipalities through normal freedom of information processes.

- 2. The Department should enhance the process used to review and track complaints by recording cases as closed only upon completion of the investigations, ensuring that case files are retained for a sufficient period of time after closure, and utilizing the resources of the Internal Audit Unit to independently review selected matters when resources permit.**

Comment:

We continued to note that matters were being investigated by Bureau Chiefs responsible for that area without independent review. A large number of cases assigned to the Compliance Review Unit were never investigated due to limited resources.

- 3. The Department of Motor Vehicles should pursue legislation to remove outdated statutory provisions and take steps to ensure that reporting requirements are met.**

Comment:

Reports required by Section 15-155 and Section 27 of Public Act 07-167 were not prepared. A task force had not met since 1986.

- 4. The Department of Motor Vehicles should implement procedures to ensure that its use of established procurement contracts is in conformance with promulgated procedures and optimize the potential cost savings that can be obtained.**

Comment:

Approval by the Department of Public Works was not obtained for emergency air conditioning repairs, as required by the terms of the State contract. Payments for snow plowing and the removal of computer equipment appeared to be in excess of contractual terms.

5. **The Department should consider adopting procedures employing current technologies that will result in employees receiving reimbursement for actual mileage traveled, instead of estimated travel distances.**

Comment:

The use of mileage charts published by the Department of Transportation provides estimates of the distances between towns, but modern technology is capable of providing more accurate measurements based on actual travel routes.

6. **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 a written agreement with the Department of Information Technology detailing the responsibilities of each Agency in the event of a disaster.

7. **The Department of Motor Vehicles should consider adopting established standards for the Internal Audit Unit and develop risk assessments to support the use of resources in certain areas. 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 had not documented the assessment of risk in the various operations of the Department and was not routinely aware of investigations that were ongoing within DMV.

8. **The Department of Motor Vehicles should improve procedures related to the suspension of credentials when payments are made with bad checks.**

Comment:

Three out of 18 sampled transactions failed to result in the suspension of the associated credential.

9. **The Department of Motor Vehicles should implement procedures in accordance with Section 14-50b and Section 14-35a of the General Statutes to promote the payment of registration restoration fees by prohibiting customers that owe registration restoration fees from receiving any new registration.**

Comment:

Contrary to promulgated laws and policies, DMV practice as explained to us permits a customer to register another vehicle if a vehicle's registration has been revoked or suspended, as long as the customer's "registration privileges" are not suspended.

- 10. The Department of Motor Vehicles should implement procedures that include ethics interviews for separating employees and conduct the required ethics training.**

Comment:

DMV was unable to document that all staff had received the required ethics training, and exit interviews conducted with separating employees did not include an interview with the Ethics Liaison Officer.

- 11. The Department of Motor Vehicles should exercise greater care in the calculation of longevity payments for retiring employees.**

Comment:

We noted six employees that were overpaid a total of \$6,105 during the audited period.

- 12. The Department of Motor Vehicles should evaluate their payroll practices at the branches with the goal of bringing the practices into compliance with promulgated procedures and enhancing the accuracy and efficiency of the recordkeeping.**

Comment:

Our review of three branches found that leave time was not always being recorded on official timesheets, and branch managers appeared to be spending inordinate amounts of time tracking attendance instead of focusing on customer service.

- 13. The Department should consider utilizing the Personnel Actions History Report to review the changes made to personnel records on a regular basis.**

Comment:

The Personnel Action History Report is an independent report designed to detail all changes that should be reviewed.

- 14. 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.

- 15. The Department of Motor Vehicles should continue to seek revisions to the provisions of Section 14-47 of the General Statutes to clarify the process for determining the gross weight of commercial vehicles for registration purposes**

Comment:

Commercial vehicles are registered based on “rated” load capacity, but a rating method does not exist other than manufacturers’ weight ratings. Despite that, DMV procedures permit registering a vehicle at lesser weight than its full capacity.

- 16. The Department of Motor Vehicles should take steps to address the deficiencies in the current emissions late fee process and ensure that the modernization project addresses the same issues.**

Comment:

DMV is not suspending the registrations of those vehicles that fail to be tested or fail to pay the required fees.

- 17. 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:

A review performed by the DMV’s Internal Audit Unit in January 2009 found that accountability of tickets and adherence to promulgated procedures continued to be deficient.

- 18. The Department should design procedures within the Commercial Vehicle Diesel Emissions Program to comply with relevant statutory timeframes and enhance the compliance of offending vehicles.**

Comment:

A process to sufficiently track repeat offenders was not in place, timelines for second notices to violators were not being followed, and two vehicles that were found to have failed the test were indicated as having passed.

- 19. The Department of Motor Vehicles should produce a procedures manual for the administration of the Dealers and Repairers Unit, as well as continue its efforts to reduce the backlog of complaint files pertaining to dealers and repairers and improve the accountability of investigators' time spent on each case.**

Comment:

A procedures manual has not existed for the Unit for quite some time, backlogs of complaints persisted through the audited period, and records of the amount of time spent on each case were not maintained.

- 20. The Department of Motor Vehicles should consider implementing procedures to increase the accuracy and reliability of lien releases by communicating with lienholders and/or requiring authentic documentation.**

Comment:

The absence of a requirement to notify the lienholder at the time a lien is released increases the risk that a fraudulent transaction could be processed.

- 21. The Department of Motor Vehicles should take steps to enhance the procedures used in performing criminal record checks of license applicants.**

Comment:

A review performed by the Federal Bureau of Investigation noted that the chain of custody was not properly maintained when fingerprints were submitted for criminal history checks.

- 22. The Department of Motor Vehicles should consider taking steps to enhance the collection of sales tax by requiring the payment of tax at the time of registration and working with the Department of Revenue Services to suspend licenses of those licensees that owe the State large amounts of tax revenue.**

Comment:

Collecting sales tax at the time of registration would result in improved cash flows and lower the risk that the amounts will go unpaid.

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, 2007 and 2008. 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, 2007 and 2008 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.

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

In planning and performing our audit, we considered the Department of Motor Vehicles' internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing 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 grant agreements, but not for the purpose of providing assurance on the effectiveness of the Department of Motor Vehicles' internal controls over those control objectives.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance requirements was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial operations, safeguarding of assets and compliance with requirements that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis unauthorized, illegal, or irregular transactions or the breakdown in the safekeeping of any asset or resource. A *significant deficiency* is a control

deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to properly initiate, authorize, record, process, or report financial data reliably, consistent with management's direction, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grant agreements such that there is more than a remote likelihood that a financial misstatement, unsafe treatment of assets, or noncompliance with laws, regulations, contracts and grant agreements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the following deficiency, described in detail in the accompanying "Condition of Records" and "Recommendations" sections of this report, to be a significant deficiency in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 14 regarding the Department's inability to produce accurate revenue accountability reports.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with certain provisions of laws, regulations, contracts, and grant agreements or the requirements to safeguard assets that would be material in relation to the Agency's financial operations, noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions, and/or material financial misstatements by the Agency being audited will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over the Agency's financial operations, safeguarding of assets, and compliance with requirements, was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance:

As part of obtaining reasonable assurance about whether the Department of Motor Vehicles complied with laws, regulations, contracts and grant agreements, 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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to Agency management in the accompanying "Condition of Records" and "Recommendations" sections of this report.

The Department of Motor Vehicles' response to the findings identified in our audit are described in the accompanying "Condition of Records" section of this report. We did not audit the Department of Motor Vehicles' response and, accordingly, we express no opinion on it.

Auditors of Public Accounts

This report is intended for the information and use of Agency management, 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
Administrative Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts