

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF MOTOR VEHICLES
FOR THE FISCAL YEARS ENDED
JUNE 30, 2009 AND 2010*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

Table of Contents

INTRODUCTION..... 1

COMMENTS..... 1

FORWARD 1

RÉSUMÉ OF OPERATIONS 4

CONDITION OF RECORDS..... 8

 Inventory and Property Control 8

 Processing of Employee Travel Reimbursements 9

 Telephones and Cellular Telephones 10

 Review of Personnel Actions..... 12

 Commercial Vehicle Insurance Requirements..... 13

 Timely Submission of Bank Reconciliations..... 15

RECOMMENDATIONS..... 17

INDEPENDENT AUDITORS' CERTIFICATION 24

CONCLUSION 26

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

April 24, 2013

**AUDITORS' REPORT
DEPARTMENT OF MOTOR VEHICLES
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2010**

We have made an examination of the financial records of the Department of Motor Vehicles (DMV) for the fiscal years ended June 30, 2009 and 2010. This report on our examination 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.

Robert M. Ward was appointed as commissioner on January 4, 2007, and served in that position through the audited period.

Legislative Changes:

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

Public Act 08-150, the department's omnibus bill, made numerous revisions to DMV statutes:

Section 3 created a class A misdemeanor for anyone, including any officer, employee, agent, or contractor of 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 DMV, with the approval of the Governor, to extend the expiration dates of credentials under certain emergency or other circumstances in which DMV may be closed or unable to perform transactions in an effective or secure manner.

Section 19 authorized 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 of the General Assembly, 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.

Public Act 09-187 made numerous revisions to the functions of the Department of Motor Vehicles:

Section 15 reduces from 25 to 10 the number of monthly transactions a motor vehicle dealer must have in order to qualify for participation in the DMV on-line registration program.

Section 23 adds new language to Section 14-35a of the General Statutes prohibiting a motor vehicle carrier from operating or permitting the operation of any motor vehicle with a registration that has been suspended or revoked, and adding fines and imprisonment for violations.

Section 51 makes the second knowledge test mandatory for anyone under the age of 18 prior to licensure. In addition, it also authorizes licensed driving instruction schools to administer the second pre-licensure knowledge tests in accordance with standards and requirements set by the commissioner, and to charge an additional fee for administering the test and certifying the results.

Section 62 expands the definition of elevated blood alcohol content to include operating a commercial motor vehicle with a blood-alcohol level of .04 or more. It also reduces the minimum time police must wait before administering the required second blood-alcohol content test from 30 minutes to 10 minutes.

Public Act 10-110 made revisions to the statutes concerning the Department of Motor Vehicles. The following are some of the statutory revisions under the act that took effect during the audited period:

Section 15 allows the commissioner to suspend or refuse to issue a driver's license for one year to a person under the age of 18 convicted of driving without a license if the commissioner determines the offender did not have a license at the time the offense occurred.

Section 20 gives the commissioner the authority to withdraw or limit the number of registrations a dealer or repairer may receive if the commissioner finds that the dealer or repairer does not need them.

Section 22 prohibits assessors and tax collectors from disclosing any information that the commissioner provides if (1) the commissioner is not required to disclose such information or (2) such information is protected from disclosure under state or federal law.

Section 23 leaves issuance of stickers noting the date of vehicle registration expiration and their placement on vehicles to the commissioner's discretion.

Section 24 makes it a crime for certain health professionals, who provide the certifications required under subsection (b) of Section 14-253a of the General Statutes, to falsely certify in writing that a driver requires a parking permit for individuals with a disability.

Section 26, requires DMV employees involved in the manufacture or production of drivers' licenses or identity cards to submit to a background check. The department shall not employ any person with a disqualifying criminal offense in those duties, but shall reassign the employee to a different position in the department.

RÉSUMÉ OF OPERATIONS:

General Fund Revenue:

While the majority of the department's revenue is deposited to the Special Transportation Fund, \$776,264 and \$769,033 was deposited to the General Fund during the 2009 and 2010 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>2009</u>	<u>2010</u>
Registrations	\$180,525,586	\$175,296,414	\$178,199,572
Temporary Registrations	7,530,016	6,651,338	7,075,504
Operator Licenses	33,488,065	34,681,046	31,438,530
Inspection of Motor Vehicles	3,204,858	3,151,718	3,302,250
Certificates of Title	19,792,005	17,148,838	17,397,085
License Examinations	5,714,441	6,092,472	5,811,630
Late Fees, Fines and Costs	13,437,398	13,842,827	14,197,177
Interstate Carrier Permits	2,103,614	1,760,747	1,379,464
Safety Plate Fees	2,733,068	2,453,414	2,456,721
Emissions Late Fees	1,888,801	2,347,692	3,090,215
Emissions Exemptions - 4 years	8,828,240	6,736,560	7,003,280
Sale of Commercial Information	27,920,883	27,128,910	27,389,823
Federal Clean Air Act	8,753,909	8,678,254	8,874,086
All Others	5,832,389	5,416,773	5,456,987
Total	<u>\$321,753,273</u>	<u>\$311,387,003</u>	<u>\$313,072,324</u>

In accordance with the provisions of Section 14-49b of the General Statutes, for each new registration or renewal of any motor vehicle, a fee shall be paid to the DMV of ten dollars per registration for a biennial period and five dollars per registration for an annual period. This fee is to be identified as the federal Clean Air Act fee on any registration form provided by the commissioner. Payments collected shall be deposited as follows: Fifty-seven and one-half percent into the Special Transportation Fund and forty-two and one-half percent into the General Fund.

Revenue from interstate carrier permits has been decreasing over the past several fiscal years due to the elimination of the federal Single State Registration System (SSRS) and 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>2009</u>	<u>2010</u>
Personal Services	\$42,961,018	\$42,598,829	\$38,426,084
Other Expenses	16,193,865	15,826,292	14,951,033
Equipment	729,205	425,712	393,602
Reflective License Plates	888,288	(19,522)	1,668,234
Insurance Enforcement	608,234	473,152	-
Other	<u>362,034</u>	<u>372,379</u>	<u>326,802</u>
Total	<u>\$61,742,644</u>	<u>\$59,676,842</u>	<u>\$55,765,755</u>

Special Revenue Fund – 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 a newly established Special Revenue Fund.

A summary of fund expenditures is presented below:

	Fiscal Year Ended June 30,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Salaries	\$ 1,758,425	\$ 2,220,887	\$ 1,801,431
Other Expenses	456,995	1,256,694	623,929
Equipment	<u>8,789</u>	<u>9,584</u>	<u>35,025</u>
Total	<u>\$ 2,224,209</u>	<u>\$ 3,487,165</u>	<u>\$ 2,460,385</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, 2008:

	Fiscal Year Ended June 30,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue:			
Investment Income	\$ 209,348	\$ 67,645	\$ 5,975
Total Revenue	<u>209,348</u>	<u>67,645</u>	<u>5,975</u>
Expenditures:			
Personal Services and Fringe Benefits	6,528,459	6,860,571	5,709,395
All Other Expenditures	<u>1,205,884</u>	<u>1,012,859</u>	<u>821,108</u>
Total Expenditures	7,734,343	<u>7,873,430</u>	<u>6,530,503</u>
Excess of Revenue over Expenditures	<u>(7,524,995)</u>	<u>(7,805,785)</u>	<u>(6,524,528)</u>
Appropriation Transfer	6,500,000	5,500,000	5,500,000
Fund Balance at Beginning of Year	<u>5,640,637</u>	<u>4,615,642</u>	<u>2,309,857</u>
Fund Balance at End of Year	<u>\$ 4,615,642</u>	<u>\$ 2,309,857</u>	<u>\$ 1,285,329</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 \$4,353,402 and \$4,940,341 during the fiscal years ended June 30, 2009 and 2010, 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>2009</u>	<u>2010</u>
Sales Tax	\$ 64,863,384	\$ 57,133,714	\$ 67,784,155
DEP Clean Air Act Fee	7,423,506	7,098,046	5,351,398
Boat Registrations	5,350,920	5,223,633	289,779
Long Island Sound Plates	199,600	153,074	42,580
Motorcycle Rider Education	216,216	213,868	216,910
Other Miscellaneous Receipts	<u>169,186</u>	<u>178,569</u>	<u>119,645</u>
Total	<u>\$ 78,222,812</u>	<u>\$ 70,000,904</u>	<u>\$ 73,804,467</u>

State Capital Projects:

Expenditures from State Capital Projects Funds totaled \$4,341,727 during the audited period. Most of the funds were expended for technology enhancements.

CONDITION OF RECORDS

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

Inventory and Property Control:

Criteria: The State Property Control Manual provides guidelines to state agencies on the management and record-keeping of equipment and other property.

Section 4-33a of the General Statutes requires state agencies to promptly report breakdowns in the safekeeping of state resources.

Section 4a-4 of the General Statutes authorizes the commissioner of the Department of Administrative Services (DAS) to devise ways to establish and maintain proper control of state property and provide for the transfer or disposal of surplus items.

The State Comptroller relies on the amounts reported by agencies during the physical inventory process in order to procure sufficient insurance and to produce accurate financial statements.

Condition: The department erroneously added \$11,206 in building improvements to its Assets Management Inventory Report GAAP Reporting Form (CO-59) for the fiscal year 2008-2009, which had already been correctly added to the CO-59 form in fiscal year 2006-2007.

Telecommunication equipment purchased in the 2009-2010 fiscal year was included on the department's CO-59 form, but erroneously included maintenance costs in the amount of \$23,399.

There were exceptions noted related to the department's inventory records. Our examination to determine the accuracy of the listing of inventory items compared to physical locations resulted in our noting that ten items were listed as being in locations other than their actual locations, and two items were noted as not having inventory tags upon them and were not listed on the department's inventory records.

- Effect:* The department's annual property reports for the audited period were not accurate. Building improvements were overstated by \$11,206 in the 2008-2009 and 2009-2010 fiscal years and equipment inventory was overstated by \$23,399 in the 2009-2010 fiscal year.
- Cause:* It appears that a lack of strict adherence to State Property Control Manual and department policies and procedures, as well as weaknesses in managerial oversight to ensure adherence, may be at the root cause of the conditions.
- Recommendation:* The Department of Motor Vehicles should increase efforts to improve the management of equipment inventory and the recording of assets toward the goal of improved reporting. (See Recommendation 1)
- Agency Response:* "The Department of Motor Vehicles has great concern for compliance with state property control policies and procedures. Fiscal Service Division has addressed the concern with the duplicate entry of the building improvements in fiscal years 2007 and 2009. Additional controls have been implemented to secure the accuracy of the inventory. Policies and procedures for the determination of maintenance versus equipment cost have been reviewed with fiscal staff. Training throughout the agency will commence in February 2013 for policies and procedures regarding physical inventory requirements."

Processing of Employee Travel Reimbursements:

- Criteria:* The State Accounting Manual states that when petty cash travel advances are given to an employee, a CO-17XP Employee Payroll Reimbursement form should be filed with the business office no later than five business days after returning from travel.
- Condition:* Five out of six travel advances tested for timely submission of CO-17XP forms were submitted between one and 25 days beyond the five business days within which the forms were required to have been submitted.
- The Fiscal Services Unit maintains a spreadsheet of travel advances, which we did not test for accuracy but referenced to confirm the department's awareness of the condition. The unit's spreadsheet recorded the dates of travel and the dates and lateness

of the CO-17XP form submissions. The Fiscal Services Unit's spreadsheet for fiscal year 2010 indicated that out of 58 travel advances, there were 22 instances when the CO-17XP forms were submitted between three and 18 days late.

Effect: The petty cash account balance would have to be maintained at a higher level than would otherwise be necessary at the department. The department is not in compliance with the State Accounting Manual relative to obtaining CO-17XP forms from employees within the required time after completing travel.

Cause: It appears that the department has not developed an effective means to ensure employee compliance with timely submission of the CO-17XP forms.

Recommendation: The Department of Motor Vehicles should develop a process to ensure that employees receiving petty cash travel advances submit Employee Payroll Reimbursement forms (CO-17XP) within the five business days as required by the State Accounting Manual. (See Recommendation 2)

Agency Response: "The Department of Motor Vehicles will closely track compliance to the State Accounting Manual travel reimbursement requirements through the following actions: All managers will be notified of travel reimbursement timelines. Travel Authorizations will be tracked for time compliance. On the fifth day following the return from travel Fiscal Services staff will notify managers of required documents due."

Telephones and Cellular Telephones:

Criteria: The statewide policy from the Department of Administrative Services, Bureau of Enterprise Systems and Technology (BEST), applies "to the use of all telecommunications equipment and services including, but not limited to, telephones, telephone calling cards, PDA type devices, facsimile machines and cellular telephones issued to state agencies or state employees," that states, in part:

"Cellular telephones and similar devices shall be used for approved state business as set out by individual agencies. Each agency is responsible for determining whether the acquisition and use of cellular equipment and services is appropriate for its employees. If

so, each agency is responsible for having each employee authorized to use such equipment sign a statement that they understand the acceptable use policy and for receipt of such equipment.

Each cellular telephone shall be assigned to an individual who shall be responsible for safeguarding the equipment and controlling its use. The individual's name shall be provided to ... [BEST].

Agencies shall request equipment purchase, activation and/or deactivation of cellular service through ... [BEST].

Agencies will be billed monthly through a direct charge process in the Core-CT accounting system. The using agency will receive a detailed electronic bill and Individual Cellular Usage Report. It shall be the responsibility of the individual and the agency to verify the accuracy of the bill, and confirm appropriate usage. Discrepancies or errors shall be promptly reported to ... [BEST].”

Condition:

During our examination of the department's monitoring of cellular telephone usage, we were not able to determine the degree to which monitoring is taking place. We were informed that the monitoring and review of cellular telephone usage is not documented. The department provided cellular usage reports obtained from Core-CT, which we examined and determined that a number of cellular telephones used by individuals to whom they were assigned had usage that the department should have considered grounds for further review or investigation.

Our examination of cellular telephone billings resulted in our noting that 24 out of 219 individual bills were not signed by the supervisor of the individual cellular telephone user and three out of those 24 bills were not signed by the individual cellular telephone user.

Effect:

The department is not able to document its compliance with DAS requirements for assuring that cellular telephones are used in accordance with DAS policies and procedures. The department cannot document whether employees assigned cellular telephones are using them in accordance with statewide policies and procedures.

Cause:

It appears that a lack of written procedures requiring the documentation and retention of cellular telephone reviews and

investigations, as well as the lack of managerial oversight, contributed to the department's failure to document cellular telephone reviews and investigations in order to evidence proper monitoring of cellular telephone usage.

Recommendation: The Department of Motor Vehicles should establish and document procedures to monitor cellular telephone usage that are in compliance with the monitoring policies of the Department of Administrative Services, Bureau of Enterprise Systems and Technology. (See Recommendation 3)

Agency Response: "The Department of Motor Vehicles will work to develop a comprehensive program of policies and procedures to comply with the DAS Bureau of Enterprise Systems and Technology policies for monitoring the use of telephones and cellular telephones."

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 employee personnel records.

State Regulation 5-247-11 states, in part, that an acceptable medical certificate will be required of an employee to substantiate a request for sick leave for any period of absence consisting of more than five consecutive working days.

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.

Out of 17 employee files examined for medical certificates, when such certificate is required, three employee files did not contain the necessary medical certificate.

Effect: Unauthorized or erroneous changes to personnel records may go undetected or not be detected in a timely manner.

Employees may use sick leave without authorization for absences in excess of five consecutive working days in violation of State Regulation 5-247-11.

Cause: The department has considered the review that was being performed sufficient.

We were not able to determine why the medical certificates were not on file for the three exceptions noted.

Recommendation: The Department of Motor Vehicles should consider utilizing the Personnel Actions History Report to review the changes made to personnel records on a regular basis and ensure that employees charging sick leave in excess of five consecutive workdays submit the required medical certificates. (See Recommendation 4)

Agency Response: “The DMV Human Resources Office will run Core-CT reports on a monthly basis to identify staff with five or more consecutive days of absence, and will follow up with employees and supervisors to ensure required medical documentation was received in accordance with state personnel regulations.”

Commercial Vehicle Insurance Requirements:

Criteria: Section 14-163d, subsection (a) of the Connecticut General Statutes states, in part, that at least once every six months, each owner of a motor vehicle described in subsection (a) of Section 14-163c shall file with the Commissioner of Motor Vehicles evidence that the owner has in effect the security requirements imposed by law for each such motor vehicle. The evidence shall be filed in such form as the commissioner prescribes in accordance with a schedule established by the commissioner.

Section 14-163d, subsection (d) of the Connecticut General Statutes states, in part, that each filing made in accordance with the provisions of subsection (a) of this section as described in subsection (a) of Section 14-163c, shall provide satisfactory evidence of insurance coverage or other security in amounts not less than are required by the provisions of Title 49, Part 387 of the Code of Federal Regulations, as amended.

Condition: Our examination of the department’s records revealed that, out of ten commercial vehicle records examined, five did not have

evidence that the owners submitted insurance certificates, or provided evidence of other security per required amounts, for commercial vehicle registration periods we examined.

The department's database, the Commercial Insurance Compliance System (COINS), used to track compliance of owners for each commercial vehicle, did not allow for the extraction of certain information, or did not retain certain information, or certain information was not recorded in the system that would have facilitated the determination of the status of an owner's compliance with the insurance or security requirements. We were able to extract information from COINS, but the information was not sufficient and indicated that the department is not following up in a timely manner to ensure that owners are complying with statutory requirements for operating commercial vehicles in the state.

Effect: Some owners of commercial vehicles may be operating vehicles within the state without proper insurance or security coverage, which could put the state at risk of liability if it is determined that the department is not exercising due diligence in its monitoring and enforcement of compliance with applicable statutes.

Cause: It appears that the system the department developed for monitoring compliance by commercial vehicles regarding insurance and security is not operating in an effective manner. This is due to insufficiency of the system's program, or the lack of managerial oversight to ensure that department personnel are using resources effectively and ensuring compliance with the statutes.

Recommendation: The Department of Motor Vehicles should ensure that its system for monitoring owners of commercial vehicles for compliance with insurance and security requirements, per Section 14-163d of the Connecticut General Statutes, is operating effectively and that reasonable measures are applied, when warranted, to enforce said compliance. (See Recommendation 5)

Agency Response: "After this audit was conducted, the Agency did contact those customers with vehicles that fall within the statute to obtain the mandatory insurance coverage. Shortly thereafter, 14-163d was amended and the Agency obligation to collect this coverage was changed to yearly intervals. We are now in the process of working with the Insurance Industry to collect this information prior to our migration to our new computer system. We are sending out a mass mailing to all known vehicles that fall within this 14-163d to

update our current file. We are creating a flyer for over the counter transactions so that this information can be collected at the point of initial registration.”

Timely Submission of Bank Reconciliations:

Criteria: The Office of the State Treasurer has informed the Department of Motor Vehicles of the necessity for DMV to submit bank reconciliations to the State Treasurer in a timely fashion.

Condition: During the audited period, our testing of the department’s bank reconciliations resulted in no reportable issues. However, while on site performing audit procedures, it came to our attention that the Office of the State Treasurer was not receiving bank reconciliations from DMV in a timely fashion. There were indications that bank reconciliations submitted by the department were being grouped in a way that the Office of the State Treasurer was receiving as many as six months of reconciliations at the same time. As the auditors on site at DMV, we were contacted by APA auditors located at the Office of the State Treasurer in an effort to determine and rectify the cause of the late bank reconciliation submissions.

Effect: The late submission of bank reconciliations by DMV impacts the ability of the Office of the State Treasurer to reconcile and/or detect, in a timely manner, financial information that could have a material effect on the state’s financial condition.

Cause: The department’s staff indicated that as a result of changes in personnel, the individual who was performing bank reconciliations and submitting them to the State Treasurer was reassigned, and the person who took over those responsibilities was not sufficiently familiar with the procedures, which would suggest insufficient supervisory oversight.

Recommendation: The Department of Motor Vehicles should ensure that department personnel are sufficiently trained and prepared to perform their assigned duties and ensure that bank reconciliations are completed and submitted to the Office of the State Treasurer in a timely fashion. (See Recommendation 6)

Agency Response: “The Department of Motor Vehicles considers the collection and reporting of revenues one of its highest priorities. The agency

performs a series of reconciliations from daily to monthly on all receipts collected. Every day receipts are reconciled between the DMV bank account (reports downloaded from the bank) and the DMV cashiering system. This reconciliation ensures all receipts collected are accounted for in the DMV bank account. This practice is performed daily. The receipts collected daily are posted daily from the DMV cashiering system to Core-CT. The final reconciliation is to reconcile monthly the Core-CT cash account to the bank's monthly statement. Although a monthly reconciliation was not submitted to the Treasurer's Office timely, all the receipts collected through our cashiering system and subsequently put on a Core-CT Deposit Id were reconciled, on a daily basis, to the bank deposits for that day. This means that every deposit listed in our bank account was matched up with a Core-CT deposit Id and that every payment received into our cashiering system and put on a Core-CT deposit Id was received by the bank. If there were any discrepancies, they were researched and adjusted accordingly. DMV understands the importance of performing monthly bank reconciliations and resolving any discrepancies in a timely manner. DMV has submitted a monthly reconciliation to the Treasurer's Office since May 2012 and all discrepancies have been resolved. We are currently up to date and are committed to remaining up to date."

RECOMMENDATIONS

Our previous audit report contained 22 recommendations pertaining to department operations. There has been satisfactory resolution or sufficient improvement in 15 of those recommendations. Four 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 because of the ongoing replacement of the information technology system with a new system, the Connecticut Integrated Vehicle and Licensing System (CIVLS). The three remaining recommendations have been restated to reflect current conditions. There were three additional recommendations that 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 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. This recommendation was addressed through legislative changes that created a class A misdemeanor for anyone, including any officer, employee, agent, or contractor of the DMV selling or otherwise disclosing 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. Additional legislative changes prohibits assessors and tax collectors from disclosing any information that the commissioner provides if (1) the commissioner is not required to disclose such information or (2) such information is protected from disclosure under state or federal law. This recommendation is not being repeated at this time.
- 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. This area has improved; therefore, we are not repeating this recommendation.
- The Department of Motor Vehicles should pursue legislation to remove outdated statutory provisions and take steps to ensure that reporting requirements are met. Legislative changes in May 2011 have addressed this recommendation satisfactorily. This recommendation is considered satisfied.
- 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. Our examination did not reveal any exceptions reflective of the prior audit conditions. We

did however note an exception relative to procurement in which a purchase order was produced after the services were rendered. The exception occurred during the first year of our two year audited period and there were no exceptions noted during the second year. Based on the conditions surrounding the noted exception, we consider the exception to be an aberration and not reflective of the operating conditions of the department for the audited period. Therefore, we are not repeating this 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. During our current audited period, only one out of the six mileage reimbursements tested was calculated incorrectly. However, we noted that five out of six CO-17XP forms examined were not submitted within the five business days after travel per the requirements of the State Accounting Manual for petty cash advances. We are repeating this recommendation in modified form. (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. The department indicates that it is continuing its efforts to establish a comprehensive disaster recovery plan as it continues its system upgrades through its CIVLS project. Therefore, we are not repeating this recommendation at this time.
- The Department of Motor Vehicles should consider adopting established standards for the Audit Services 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. The department has cited the development of an audit manual that includes the audit standards the department has adopted. Also, we met with the internal audit supervisor and a DMV contractor hired to specifically help the agency make risk assessments throughout the department. A report on the risk assessments and the internal audit Annual Audit Plan for 2012-2013 was obtained and we determined that it reflects the department's consideration of the risk assessments in planning audits. We were not able to document that investigations by other investigatory agents within the department are made known to the Audit Services Unit. However, we believe that such investigations are under the authority of the commissioner, who determines the degree to which the Audit Services Unit is to be informed. Therefore, we are not repeating this recommendation.
- The Department of Motor Vehicles should improve procedures related to the suspension of credentials when payments are made with bad checks. During our current audit, it was determined that the department sufficiently addressed this 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. Our current audit testing revealed that the department is in the process of upgrading its computer system with the Connecticut Integrated Vehicle and Licensing System (CIVLS) that will incorporate controls to address restoration fee issues. Therefore, we are not repeating this recommendation at this time.
- The Department of Motor Vehicles should implement procedures that include ethics interviews for separating employees and conduct the required ethics training. Our current audit conclusions essentially coincide with the department's response to this prior audit recommendation. We are not repeating this recommendation at this time.
- The Department of Motor Vehicles should exercise greater care in the calculation of longevity payments for retiring employees. During the current audited period, there were no exceptions noted in the testing of longevity payments or payments to separated employees. Therefore, we are not repeating 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. No exceptions were noted during this current audited period. This recommendation is not being repeated.
- The department should consider utilizing the Personnel Actions History Report to review the changes made to personnel records on a regular basis. During our current audited period, it was determined that the department continued to not utilize Personnel Actions History Reports to review changes to personnel records. We are repeating this recommendation in modified form to include exceptions noted during our testing of medical certificates, which resulted in the determination that the department failed to obtain medical certificates for some employees who charged sick leave in excess of five consecutive workdays. (See Recommendation 4)
- The department should continue its efforts to pursue system upgrades that will enable the preparation of accountability reports for the primary sources of revenue. It has been noted during this current audited period that the department has been continuing its efforts to implement its new Connecticut Integrated Vehicle and Licensing System. Until CIVLS is up and fully operating, we are determining that the department is continuing to pursue system upgrades. We consider this recommendation as being addressed by the department; therefore, we are not repeating this 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. Given that our recommendations are for the purpose of encouraging the department to take actions we have determined it is not taking, we are not repeating this recommendation. As noted in the prior audit report, the department has made an attempt to seek revisions of the provisions of Section 14-47 of the General Statutes, which the legislature rejected, and the department states that it would continue to review the issue and determine the feasibility of resubmitting proposed legislation to amend it. However, in a related issue, we have determined that the department is not fully complying with Section 14-163d of the General Statutes, which states, in part, that owners of commercial vehicles must provide certificates of insurance to DMV every six months. The statute makes it incumbent upon the department to ensure that owners of commercial vehicles comply with the provisions of the statute. Based on our current audit, the department does not appear to have a system in place that would facilitate the department's efforts to determine the identity of owners of commercial vehicles not submitting their insurance certificates every six months. Therefore, we are making a recommendation relative to commercial vehicles for this audited period. (See Recommendation 5)
- 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. This recommendation falls into the category of those recommendations that the department either did not have sufficient time to address and/or is being addressed in the modernization project, which is ongoing. Therefore, we are not repeating this 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. The department, through its Audit Services Unit, has been and continues to address deficiencies in this area as noted in an audit report dated July 2011. Therefore, we consider this recommendation to be substantially addressed and not require repeating.
- 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. We determined that the department has procedures in place that, if adhered to, would enhance compliance of offending vehicles. However, the department indicated that when the department had sufficient staffing levels there was an individual handling the processing of offenses on a full-time basis. Since that time the department admittedly has not been sending out second notices to offenders in a timely fashion because the department states that they do not have the resources to keep current with the processing of offenses. The department has included the updating of its procedures for the processing of offending vehicles in its

upgrade of the CIVLS system, which has been an ongoing process throughout the audited period. Though our examination concluded that the department has not been sending out second notices to offenders in accordance with statutory requirements for the audited period, there has been improvement in the dispatching of second notices beyond the audited period. Therefore, we are not repeating this recommendation at this time, given that the department has shown improvement, of late, and are continuing its system upgrade to include addressing CVSD issues.

- 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. During our current audit, we noted significant improvement in the number of closed complaints. We are not repeating this recommendation.
- The Department of Motor Vehicles should consider implementing procedures to increase the accuracy and reliability of lien releases by communicating with lien holders and/or requiring authentic documentation. The department issued a memorandum to address changes in its procedures and included the matter of lien releases in an upgrade to its computer system, CIVLS. Therefore, we are not repeating this recommendation.
- The Department of Motor Vehicles should take steps to enhance the procedures used in performing criminal record checks of license applicants. This recommendation has been addressed by the department; therefore, we are not repeating this recommendation.
- 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. The condition associated with this recommendation did not state anything that actually required correcting on the part of the department. Therefore, we are not repeating this recommendation.

Current Audit Recommendations:

- 1. The Department of Motor Vehicles should increase efforts to improve the management of equipment inventory and the recording of assets toward the goal of improved reporting.**

Comment:

The department's Assets Management/Inventory Report/ GAAP Reporting Form (CO-59) was overstated during the 2008-2009 and 2009-2010 fiscal years of the audited period, and there were a number of exceptions noted regarding the accuracy of the department's inventory records.

- 2. The Department of Motor Vehicles should develop a process to ensure that employees receiving petty cash advances submit Employee Payroll Reimbursement forms (CO-17XP) within five business days as required by the State Accounting Manual.**

Comment:

In addition to our testing results, the department has tracked the timely submission of mileage reimbursement forms and the records generally indicate what we have concluded – that there is a significant number of reimbursement forms not being submitted in a timely fashion.

- 3. The Department of Motor Vehicles should establish and document procedures to monitor cellular telephone usage that are in compliance with the monitoring policies of the Department of Administrative Services, Bureau of Enterprise Systems and Technology.**

Comment:

During our examination of the department's monitoring of cellular telephone usage, we were not able to determine the degree to which such monitoring is taking place. We were informed that the monitoring and review of cellular telephone usage is not documented. Also, our examination of cellular telephone billings resulted in our noting that 24 out of 219 individual bills were not signed by the supervisor of the individual cellular telephone user and three out of those 24 bills were not signed by the individual cellular telephone user.

- 4. The Department of Motor Vehicles should consider utilizing the Personnel Actions History Report to review changes made to personnel records on a regular basis and ensure that employees charging sick leave in excess of five consecutive workdays submit the required medical certificates.**

Comment:

The department does not have a process in place to provide for the review of a Personnel Actions History Report, which details various changes made to personnel records. In addition, our tests of medical certificates for sick leave taken in excess of five consecutive workdays indicated that there are employees that did not have the required certificates in their files.

- 5. The Department of Motor Vehicles should ensure that its system for monitoring owners of commercial vehicles for compliance with insurance and security requirements, per Section 14-163d of the Connecticut General Statutes, is operating effectively and that reasonable measures are applied, when warranted, to enforce said compliance.**

Comment:

Five of the ten records we examined for compliance with insurance and security requirements indicated that the vehicle owners were not in compliance. The Commercial Insurance Compliance System (COINS) used to track compliance of owners for each commercial vehicle did not allow for the extraction of certain information that would have facilitated the determination of the status of an owner's compliance with the insurance or security requirements. Information that we were able to extract from the system indicated that the department is not following up, in a timely manner, to ensure that owners are complying with statutory requirements.

- 6 The Department of Motor Vehicles should ensure that department personnel are sufficiently trained and prepared to perform their assigned duties and ensure that bank reconciliations are completed and submitted to the Office of the State Treasurer in a timely fashion.**

Comment:

We were informed by Auditors of Public Accounts auditors, located at the Office of the State Treasurer, that the Department of Motor Vehicles has not been submitting required bank reconciliations to the Office of the State Treasurer in a timely fashion. At times, the department submitted as many as six reconciliations simultaneously, thereby delaying the State Treasurer's reconciliation process and increasing the risk that material errors or omissions might occur and not be detected in a timely manner.

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, 2009 and 2010. This audit was primarily limited to performing tests of the department's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the department's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the department are complied with, (2) the financial transactions of the department are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of the department are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Motor Vehicles for the fiscal years ended June 30, 2009 and 2010 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 grant agreements 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:

Management of the Department of Motor Vehicles is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. 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 agency's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the Department of Motor Vehicles' internal control over those control objectives.

A deficiency in internal control 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 and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any asset or resource. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that

noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the Department of Motor Vehicles' financial operations will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Department of Motor Vehicles' financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies: Recommendation 1 regarding the department's inventory and property valuation and Recommendation 5 regarding the department's system for monitoring compliance with insurance and security requirements for commercial vehicles. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

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 department'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' responses 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.

This report is intended for the information and use of department 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.

State Auditor Robert M. Ward recused himself from reviewing and signing the audit report in order to avoid the appearance of a conflict of interest. Mr. Ward served as commissioner of the Department of Motor Vehicles for the period of January 4, 2007 to January 4, 2011.



Mark Dickerson
Associate Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts