

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF MOTOR VEHICLES
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012*

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

Table Of Contents

INTRODUCTION	1
COMMENTS	1
FOREWORD	1
Legislative Changes.....	2
RÉSUMÉ OF OPERATIONS.....	6
General Fund Revenue	6
Special Transportation Fund.....	6
Special Revenue Fund – Federal and Other Restricted Accounts.....	7
Emissions Enterprise Fund.....	8
Other Receipts	8
State Capital Projects.....	9
STATE AUDITORS’ FINDINGS AND RECOMMENDATIONS.....	10
Inventory and Property Control.....	10
Cellular Telephones.....	11
Human Resources Unit – Investigations of Alleged Improprieties.....	12
Performance Evaluations.....	13
Employee Attendance.....	14
Dual Employment.....	15
Access to Core-CT for Terminated Employees.....	16
Diesel Commercial Vehicle Emissions Testing Program	17
GAAP Reporting	18
Bank Reconciliation	19
Accounts Receivable	20
Collection of Administrative Fee and Documentation.....	21
Timeliness of Deposits	22
Revenue Accountability Reports.....	22
Commercial Vehicle Insurance Requirements	23
Vehicle Inspection and Maintenance Program Report.....	25
Outdated Registration Procedures	26
Security Cameras.....	27
Disaster Recovery Planning	27
Connecticut Integrated Vehicle and Licensing System (CIVLS).....	29
RECOMMENDATIONS.....	32
INDEPENDENT AUDITORS' CERTIFICATION.....	38
CONCLUSION.....	40

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

September 17, 2015

AUDITORS' REPORT DEPARTMENT OF MOTOR VEHICLES FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012

We have made an examination of the financial records of the Department of Motor Vehicles (DMV) for the fiscal years ended June 30, 2011 and 2012. This report on that 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 January 4, 2011. Melody A. Currey was appointed commissioner on January 19, 2011 and served in that capacity for the rest of the audited period. In January 2015, Governor Malloy appointed Andres Ayala, Jr. as commissioner. He currently serves in that position.

Legislative Changes

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

- **Public Act 11-6**, effective July 1, 2011, made numerous revisions to the DMV statutes:

Section 92 added motor vehicle storage, towing and road service, and intrastate transportation, excluding taxis, to the definition of services subject to the sales and use tax.

Section 93 imposed a 9.35 percent tax on the lease or rental of motor vehicles for 30 days or less. It also imposed a 7 percent tax on the sale of motor vehicles costing more than \$50,000, excluding commercial vehicles.

Section 112 increased the fine from between \$150 and \$300 to \$1,000 for a resident who operates a motor vehicle with marker plates issued by another state.

Section 136 required DMV to charge a \$10 administrative fee for any motor vehicle transaction involving an electronic inspection of a manufacturer's vehicle identification number.

Section 137 imposed a \$25 late fee for drivers who fail to renew a driver's license or commercial driver's license on time. The section also increased fees for an original license to \$48 for a four-year license, \$66 for a six-year license and \$12 per year or part of a year.

Section 139 increased registration fees and imposed a \$150 late fee for apportioned registrations that are not renewed within five days of expiration.

Section 141 assessed \$30 for each duplicate driver's license or non-driver identification card. The section also requires DMV to charge \$5 for one duplicate license or identification card issued to someone who turns 21 years old. In addition, the section authorized DMV to charge \$20 for electronic copies of motor vehicle records.

Section 142 changed manufacturer registration renewals from annual to biennial and increased the renewal fee to \$140 for the two-year period. Manufacturers are also required to provide proof of financial responsibility.

- **Public Act 11-44**, effective July 1, 2011, changed the name of the handicapped driver training program to driver training program for persons with disabilities and transferred the responsibility for the program to the Bureau of Rehabilitation Services.
- **Public Act 11-48**, effective July 1, 2011, made numerous changes to the statutes governing DMV.

Section 27 eliminated a vision screening program for individuals applying to renew a driver's license. The section also allowed the renewal of a license or a non-driver ID card without the applicant being present if there is a digital image on file. In addition, the

section eliminated the requirement that a driver's license be renewed every four or six years.

Section 28 added electronic mail addresses to the types of information considered personal and not subject to disclosure except in certain circumstances.

Section 51 required that a person convicted for a first offense of operating under the influence of alcohol or drugs to serve a 45-day license suspension and install an ignition interlock device for one year. Also, a person convicted for a second offense of operating under the influence is required to serve a 45-day license suspension and install an ignition interlock device for three years, or if the person is under 21 years of age, 45 days or until the person turns 21 year of age, whichever is longer, followed by three years of driving only a vehicle equipped with an ignition interlock device.

Section 52 clarified that an ignition interlock device may be installed even if administrative per se suspension is still in effect. The court may not waive the ignition interlock device fees. It required DMV to specify in regulations what acts will constitute a violation of the ignition interlock restriction leading to an extension of the time the device must be maintained. It also specified that the Judicial Branch's Court Support Services Division will monitor ignition interlock devices when a person is on probation and DMV will do so when term of probation ends.

Section 54 allowed a person whose driver's license has been permanently revoked following a third driving under the influence conviction to request a reduction or reversal of the revocation of driving privileges after six years with an ignition interlock device requirement for ten years following the reduction or reversal.

Section 57 required DMV and the Court Support Services Division to develop and submit to the joint standing committees of the General Assembly by February 1, 2012, a report outlining an implementation plan for requiring the installation and use of ignition interlock devices.

- **Public Act 11-51**, Sections 38 to 41, effective July 1, 2011, shifted responsibility for weigh stations to DMV, assigned a state trooper to each weigh area working shift and required roaming commercial vehicle enforcement by state troopers, along with requiring, beginning in 2012, reports and technical changes.
- **Public Act 11-56**, Section 1, effective upon passage, authorized DMV to issue special registration certificates and veterans' license plates to active United States armed forces members or their surviving spouses who request a certificate and plate for a motor vehicle they owned or leased for at least one year. However, an armed forces member who is dishonorably discharged must return plates within 30 days after being discharged.
- **Public Act 11-61**, Sections 60 and 61, effective upon passage, exempted from sales and use tax that portion of the sales price of a motor vehicle purchased by a person with a disability

that is attributable to special equipment to be used by that person to operate the motor vehicle.

- **Public Act 11-68**, Section 1, effective January 1, 2013, required that DMV include a person's status as a veteran, if applicable on his or her driver's license or identity card. The veteran must make a request to the Department of Veterans' Affairs (DVA) for such status to be displayed. The DVA would verify the person's status and communicate the information to DMV.
- **Public Act 11-130**, effective July 1, 2011, provided that new school buses that (1) were registered between August 1st and the start of the school year immediately following and (2) had already been inspected, were exempt from further inspection until September of the following year.
- **Public Act 11-213** made numerous changes to the statutes governing DMV.

Section 6, effective July 1, 2011, allowed dealers to register commercial motor vehicles, recreation vehicles, trailers, service and school buses electronically through the DMV Dealer On-Line System.

Section 28, effective October 1, 2011, eliminated the ability of a person whose Connecticut license has been suspended by DMV for certain motor vehicle convictions in other states to ask for a reversal or reduction of the suspension.

Section 41, effective July 1, 2011, required school districts and school bus operators to remove a driver from a school bus within 48 hours, rather than 10 days after learning that DMV had suspended or revoked the driver's license or school bus endorsement.

Sections 51 to 53, effective, October 1, 2011, increased fines for using a cell phone or texting while driving and imposed additional penalties for texting while driving a commercial motor vehicle.

Section 57, effective upon passage, required applicants for certain DMV licenses to furnish surety bonds. Applicants for a repairer's or limited repairer's license must furnish a \$5,000 bond; applicants for a leasing or rental license must furnish a \$10,000 bond; and applicants for a new car dealer's or used car dealer's license must furnish a \$50,000 bond.

- **Public Act 11-256** made numerous changes to the statutes governing DMV.

Section 12, effective upon passage, subjected drivers who park on a limited access highway to circumvent or avoid a scale or safety inspection site on the highway to a fine of \$250 to \$500 for a first offense and \$500 to \$1,000 for each subsequent offense.

Section 13, effective upon passage, subjected a person driving a vehicle under a forged oversize or overweight permit to a minimum fine of \$10,000, in addition to any other penalties that might be assessed.

Section 18, effective October 1, 2011, extended the law that doubles the fine for speeding or committing other moving offenses in a state highway construction zone to construction zones on municipal roads. The section also imposed the same signage requirements and liability protection for the municipal work zones as apply to state highway work zones.

- **Public Act 12-81** made numerous changes to the statutes governing DMV.

Section 1, effective July 1, 2012, allowed DMV to broaden the types of vehicles certain licensed motor vehicle dealers can register at the time of sale.

Section 2, effective October 1, 2012, allowed marine dealers to register all boat trailers they own under a general distinguishing number. The section also required DMV to impose a \$25 late fee for renewing a registration if a dealer fails to renew within five days after expiration.

Section 9, effective October 1, 2012, required DMV to provide notice of intent to revoke an automobile club license and allowed a license applicant as well as a license holder to appeal. The section also extended the duration of automobile club licenses from one to two years and made changes to license and renewal fees.

Section 16, effective July 1, 2012, allowed DMV to maintain an electronic file to record and store evidence of a lien holder's security interest.

Section 19, effective, July 1, 2012, required a police officer who obtains the results of a chemical analysis of a urine sample taken from a driver injured or allegedly injured in a motor vehicle accident to submit the test results to DMV for use in an administrative *per se* suspension proceeding.

Section 20, effective, October 1, 2012, required the Department of Correction and DMV to establish procedures for the renewal of licenses of incarcerated individuals.

Sections 27 and 28, effective, October 1, 2012, required DMV to suspend, for 90 days, the driving privileges of anyone convicted for a second or subsequent time of driving without a driver's license.

Sections 33 and 34, effective upon passage, permitted the Bureau of Rehabilitative Services to certify to DMV that a person has successfully completed the driver training program for persons with disabilities and allow DMV to waive the skills test for such persons. Also, Bureau of Rehabilitative Services personnel who run the driver training program are authorized to review medical reports.

Section 37, effective January 1, 2013, established an adult instruction permit for a person over 18 years of age, changed terminology from learner's permits to youth instruction permits and imposed a \$19 fee for permits.

Section 43, effective October 1, 2012, extended from one to two years the duration of driving instructor licenses and renewals and adjusted fees accordingly.

Section 45, effective October 1, 2012, required that, when ownership of motor vehicle has been transferred, the new owner should have the vehicle inspected within thirty days after registration. If the new owner does not comply, DMV can assess a late fee after thirty days.

Section 46, effective October 1, 2012, changed the renewal of driving school licenses from annual to biennial and adjusted the fees accordingly. The section also increased the late fee from \$350 to \$700 for a license that is not renewed on or before the expiration date.

Section 49, effective July 1, 2012, required the Department of Emergency Services and Public Protection to complete criminal background check for public service vehicle operators within sixty days of receiving a request.

RÉSUMÉ OF OPERATIONS

General Fund Revenue

While the majority of the department's revenue is deposited into the Special Transportation Fund, \$855,056 and \$1,040,948 was deposited to the General Fund during the 2011 and 2012 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>2010</u>	<u>2011</u>	<u>2012</u>
Registrations	\$178,199,572	\$176,122,792	\$185,511,983
Temporary Registrations	7,075,504	7,301,390	7,670,485
Operator Licenses	31,438,530	32,647,350	37,761,987
Inspection of Motor Vehicles	3,302,250	2,223,036	6,730,950
Certificates of Title	17,397,085	18,214,790	18,575,525
License Examinations	5,811,630	6,017,749	5,759,450
Late Fees, Fines and Costs	14,197,177	13,741,728	13,419,567
Interstate Carrier Permits	1,379,464	3,265,728	1,148,024
Safety Plate Fees	2,456,721	2,626,976	2,897,619
Emissions Late Fees	3,090,215	2,991,322	3,460,146
Emissions Exemptions - 4 years	7,003,280	7,433,440	7,596,650
Sale of Commercial Information	27,389,823	25,034,779	23,645,908

Federal Clean Air Act	8,874,086	8,703,999	8,788,219
All Others	<u>5,456,987</u>	<u>5,356,676</u>	<u>5,645,720</u>
Total	<u>\$313,072,324</u>	<u>\$311,681,755</u>	<u>\$328,612,233</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 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.

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>2010</u>	<u>2011</u>	<u>2012</u>
Personal Services	\$38,426,084	38,994,079	\$39,640,952
Other Expenses	14,951,033	13,240,961	13,707,001
Equipment	393,602	238,943	430,000
Reflective License Plates	1,668,234	1,686,087	214,420
Other	<u>326,802</u>	<u>339,640</u>	<u>35,306</u>
Total	<u>\$55,765,755</u>	<u>\$54,499,710</u>	<u>\$54,027,679</u>

Special Revenue Fund – Federal and Other Restricted Accounts

Federal grant and other restricted account activity are recorded in the Federal and Other Restricted Accounts Fund. Fund expenditures were primarily charged to federal grant receipts for the National Motor Carrier Safety, Commercial Vehicle Information Systems and the REAL ID federal programs.

A summary of fund expenditures is presented below:

	Fiscal Year Ended June 30,		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Salaries	\$ 1,801,431	\$ 1,887,621	\$ 948,903
Other Expenses	623,929	2,028,889	1,662,669
Equipment	<u>35,025</u>	<u>228,624</u>	<u>301,504</u>
Total	<u>\$ 2,460,385</u>	<u>\$ 4,145,134</u>	<u>\$ 2,913,076</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 emissions administration was responsible for the regulatory functions of the program and for monitoring the contractor for 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, 2010:

	Fiscal Year Ended June 30,		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenue:			
Investment Income	\$ 5,975	\$ 120,053	\$1,719,091
Total Revenue	<u>5,975</u>	<u>120,053</u>	<u>1,719,091</u>
Expenditures:			
Personal Services and Fringe Benefits	5,709,395	5,697,688	5,124,532
All Other Expenditures	<u>821,108</u>	<u>783,490</u>	<u>338,953</u>
Total Expenditures	<u>6,530,503</u>	<u>6,481,178</u>	<u>5,463,485</u>
Excess of Revenue over Expenditures	<u>(6,524,528)</u>	<u>(6,361,125)</u>	<u>(3,744,394)</u>
Appropriation Transfer	5,500,000	6,500,000	6,500,000
Fund Balance at Beginning of Year	<u>2,309,837</u>	<u>1,285,329</u>	<u>1,424,204</u>
Fund Balance at End of Year	<u>\$ 1,285,309</u>	<u>\$ 1,424,204</u>	<u>\$ 4,179,810</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 \$5,707,957 and \$4,989,682 during the fiscal years ended June 30, 2011 and 2012, 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>2010</u>	<u>2011</u>	<u>2012</u>
Sales Tax	\$ 67,784,155	\$ 71,942,605	\$ 76,617,579
DEP Clean Air Act Fee	7,289,494	7,232,056	7,319,331
Boat Registrations	5,215,536	5,128,228	5,015,351
Long Island Sound Plates	109,915	96,960	92,115
Motorcycle Rider Education	216,910	206,152	214,337
Other Miscellaneous Receipts	<u>138,020</u>	<u>164,287</u>	<u>186,303</u>
Total	<u>\$ 80,754,030</u>	<u>\$ 84,770,288</u>	<u>\$ 89,445,016</u>

State Capital Projects

Expenditures from state Capital Projects Funds totaled \$703,657 during the audited period. Most of the funds were expended for technology enhancements.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our audit of the Department of Motor Vehicles identified the following areas that need improvement and warrant comment:

Inventory and Property Control

Criteria: Section 4-36 of the General Statutes requires each state agency to establish and maintain an inventory record as prescribed by the State Comptroller. The State Property Control Manual establishes the standards and sets the reporting requirements for maintaining an inventory system to provide for complete accountability and safeguarding of assets.

The Core-CT Asset Management team highly recommends that an agency utilize asset inventory barcode scanners for maintaining its inventory.

Condition: We examined a sample of 43 capital equipment items purchased during the audited period and noted that eight inventory items were obsolete and not in use. Five of these items were later disposed of, but not in a timely manner.

We traced equipment recorded in the department's inventory records to its current location. We also traced inventory from its current location to the department's inventory records. We noted four instances in which the equipment was recorded in an incorrect location, one of the items was not tagged and one item could not be found.

In addition, we were informed that the department does not utilize asset inventory barcode scanners to conduct its inventory.

Effect: The property inventory records were not accurate. The department has lessened assurance that its capital assets are properly maintained and safeguarded.

Cause: It appears that the lack of strict adherence to the State Property Control Manual, weaknesses in managerial oversight and not using asset inventory barcode scanners contributed to the condition.

Recommendation: The Department of Motor Vehicles should maintain its inventory according to the State Property Control Manual and consider utilizing asset inventory barcode scanners. (See Recommendation 1.)

Agency Response: “The agency agrees. In fiscal year 2014 Commissioner Currey assigned management the task of analyzing and reporting back the process needed to implement bar code readers into the asset management procedures agency wide. The agency will use the findings to implement bar code readers.”

Cellular Telephones

Criteria: The Department of Administrative Services (DAS) Bureau of Enterprise Systems and Technology (BEST) Telecommunications Equipment Policy states that:

“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 Reports. It shall be the responsibility of the individual and the agency to verify the accuracy of the bill, and confirm appropriate usage.” Any discrepancies or errors should be promptly reported to BEST.

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

Condition: Our review of four months of detailed electronic bills and monthly individual usage reports disclosed the following:

- Employees did not submit approximately 47 percent of the individual usage reports verifying that the monthly charges were correct and that the related usage was appropriate.
- Nine individual usage reports were not signed by the employees’ supervisors.
- Five employees’ cellular phones remained active for six to eight months after the employees were terminated from state service.

Effect: The department is not in compliance with BEST policy regarding cellular telephones.

Cause: It appears that inadequate controls exist over cellular telephones usage and assignments.

Recommendation: The Department of Motor Vehicles should establish controls to ensure its compliance with the telecommunication equipment policies of the

DAS Bureau of Enterprise Systems and Technology. (See Recommendation 2.)

Agency Response: “The agency agrees. Commissioner Ayala has assigned staff to monitor the timeliness and accuracy of cellular phone usage reports. A policy to confirm the deactivation of cell phones following the termination of employees will be established.”

Human Resources Unit – Investigations of Alleged Improprieties

Background: Most agencies have a human resources and/or affirmative action unit to manage most facets of the personnel function. Many times, these units become involved in investigations related to accusations of discrimination, harassment, and violations of most workplace rules.

Criteria: In order to provide assurance that the conclusions reached and actions taken as a result of investigations are reasonable and consistent, the Human Resources Unit should conduct its investigations using formal, written procedures. In addition, the unit’s administrator should formally document the review of the investigations and the conclusions reached from the investigations.

Condition: Our review disclosed that the department’s Human Resources Unit has not implemented standardized written procedures for the purpose of conducting investigations. As a result, four out of 17 sampled case files related to the Human Resources Unit’s investigations lacked documented evidence to support the human resources administrator’s review of the case files prepared and documentation of the conclusions reached from the investigations.

Effect: The lack of both standardized written procedures for conducting investigations and formal documented reviews by the human resources administrator increases the risk that the conclusions reached and actions taken as a result of such investigations may be inconsistent.

Cause: Lack of proper management oversight contributed to the condition.

Recommendation: The Department of Motor Vehicles Human Resources Unit should implement standardized written performance and review procedures relative to its investigation process. Such procedures should include documentation to substantiate the human resources administrator’s review of the case files prepared and the conclusions reached from the investigations. (See Recommendation 3.)

Agency Response: “The agency agrees with the recommendation and will establish written procedures for review of investigations. This will be scheduled for completion by October 1, 2015.”

Performance Evaluations

Criteria: Section 5-210 of the General Statutes authorizes the Commissioner of the Department of Administrative Services to establish state incentive plans for managerial or confidential employees based on annual performance appraisals.

A Performance Assessment and Recognition System (PARS) Handbook, established by the Department of Administrative Services, details the processes and forms required to be filed at the beginning of the fiscal year for each managerial employee. These forms are a planning and appraisal record and an annual review form. The purpose of PARS is to:

- Facilitate joint planning between a manager and supervising manager on what the manager is expected to accomplish.
- Establish clear, achievable, measurable, results-oriented performance objectives, consistent with the agency’s priorities and mission, and considered fair by both the manager and the supervising manager.
- Promote ongoing communication between the manager and the supervising manager concerning expectations, how well the manager is meeting these expectations, and what steps must be taken to ensure that objectives are met.
- Guide regular evaluations of progress and promotion of the manager’s professional development.
- Identify corrective action needed when a manager has not accomplished a performance objective.
- Provide a basis for differentiating among levels of performance and thus serve as a basis for a manager’s annual salary increase or bonus payment.
- Improve individual job performance and thereby increase the effectiveness of the agency.

Condition: Our review revealed that performance evaluations were not completed for managers during our audited period.

- Effect:* When annual performance evaluations are not prepared, there is less formal feedback to management about compliance with rules and productivity expectations.
- Cause:* We were informed that DMV had stopped using PARS for many years because there was no funding available for PARS increases.
- Recommendation:* The Department of Motor Vehicles should ensure that annual performance evaluations are performed on its managerial employees. (See Recommendation 4.)
- Agency Response:* “The agency agrees and re-implemented the PARS program for managers in July 2012 and managers have participated in the PARS process since that date. Compliance with this recommendation has been in effect since July 2012.”

Employee Attendance

- Criteria:* The Manager’s Guide established by the Department of Administrative Services indicates that “as a general rule, managers in state service work the number of hours necessary to get the job done. The standard hours for managers are 40 hours over five days per week.”
- Condition:* We noted that two managerial employees in the Human Resources Unit with the ability to make changes to the time and attendance records worked less than 40 hours during the first half of the pay period. To make up the required 80 hours for the pay period, the employees worked extra hours during the second half of the pay period. Also, we found that one of the managerial employees worked on two Saturdays and took the following Mondays off. The hours worked on the two Saturdays were incorrectly charged to the time reporting code, regular, on the timesheet. There was no approval on file to substantiate the deviation from the standard work schedule.
- Effect:* The employees were not in compliance with the policy established by DAS.
- Cause:* We were informed that the process at the time was for managers to go to their supervisor, who would speak with the Director of Administration to get verbal approval to work outside of their normal schedule.
- Recommendation:* The Department of Motor Vehicles should ensure that the hours worked by managers are in compliance with the DAS Manager’s Guide. (See Recommendation 5.)

Agency Response: “The agency agrees. The practice of verbally notifying the Director of Administration is no longer utilized, DMV managers must account for at least 40 hours per week through time worked or through time off accruals utilized. A notice will be sent to all managers confirming the proper approval of time off and the rules concerning the approval of schedule adjustments and time off.”

Dual Employment

Criteria: Section 5-208a of the General Statutes indicates that no state employee shall be compensated for services rendered to more than one state agency during a biweekly pay period unless the appointing authority of each agency or a designee certifies that the duties performed are outside the responsibility of the agency of principal employment, that the hours worked at each agency are documented and reviewed to preclude duplicate payment and that no conflicts of interest exist between services performed.

The Department of Administrative Services General Letter 204 – Dual Employment provides direction to state agencies in complying with Section 5-208a of the General Statutes. A Dual Employment Request (PER-DE-1) form should be completed by the employee’s secondary and primary agency as prescribed in the general letter.

Condition: Our review disclosed that all three employees with dual employment arrangements did not have a dual employment form on file.

Effect: The department is not in compliance with Section 5-208a of the General Statutes. In the absence of proper monitoring, duplicate payments and conflicts of interest may go undetected.

Cause: It appears as though the department was not properly monitoring its employees with dual employment arrangements.

Recommendation: The Department of Motor Vehicles should ensure that it is in compliance with the dual employment requirements of Section 5-208a of the General Statutes. (See Recommendation 6.)

Agency Response: “The agency disagrees. A review of the dual employment cases, cited through the audit process, shows that the department is not made aware by employees’ or the secondary employing agencies of these dual employment situations. There was no documentation shown by the secondary agencies indicating that DMV was aware of the dual employment situations cited or that they received proper signatures to employ DMV employees’. There is no evidence that DMV has

improperly hired employees who work for other agencies. Due to the fact that DMV does not have access to other agencies personnel data, DMV suggests that DAS or the Office of State Comptroller provide access that allows agencies to view, or determine periodically through reports, whether any state employee is working for multiple state agencies.”

*Auditors’ Concluding
Comments:*

It is the obligation of DMV to monitor its employees for any possible conflict of interest with their employment. Therefore, DMV should have utilized the reporting capability within Core-CT to evaluate the compliance with the dual employment provision of Section 5-208a of the General Statutes.

Access to Core-CT for Terminated Employees

Criteria: The Core-CT Security Liaison Guide states that each agency has the responsibility to assign a Core-CT Security Liaison to be the primary contact for the Statewide Core-CT Applications Security Administrator. The agency liaisons are responsible for requesting the immediate deletion of an employee’s Core-CT access upon notice of their termination, retirement, or transfer to another department or agency.

Condition: Our review of access to the Core-CT system for employees who no longer work for the department disclosed that the department did not immediately deactivate access to the system for four terminated employees. It took the department between four to 295 days to deactivate the employees’ access.

Effect: There is an increased risk of unauthorized access to the Core-CT system and possible manipulation of data.

Cause: The department does not have appropriate controls in place to ensure that employee access to Core-CT is deactivated immediately upon termination.

Recommendation: The Department of Motor Vehicles should establish controls to ensure that access to the Core-CT system is deactivated immediately upon termination of an employee. (See Recommendation 7.)

Agency Response: “The agency agrees. DMV Core-CT security liaisons will run a report in Core-CT on a monthly basis and reconcile this report to a Core-CT employee termination report. Employees terminated will be verified that they no longer have access to Core-CT. The security liaison will also

confirm the Core-CT security functionality is operating accurately in relationship to the last pay period paid.”

Diesel Commercial Vehicle Emissions Testing Program

Criteria:

Section 14-164i subsection (c) of the General Statute states that any person holding title to a vehicle or having legal right to register the same, including a purchaser under a conditional bill of sale and a lessee for a term of more than thirty days, whose vehicle fails to pass an emission inspections of diesel-powered motor vehicles, shall have the vehicle repaired and, within forty-five days, present proof of emissions-related repairs of such vehicle.

Section 14-164i-6 of the Regulations of Connecticut State Agencies states that upon failure by an owner of a diesel-powered commercial motor vehicle to submit documentation of such emissions repairs, the commissioner shall send, by bulk certified mail, a written suspension notice informing the owner that the vehicle’s registration will be suspended in the State of Connecticut, as of the effective date specified in the suspension notice. Each such owner notified shall have the right, prior to said effective date of suspension, to request an administrative hearing, which shall be conducted in accordance with Chapter 54 of the Connecticut General Statutes.

DMV issues second notice letters to registered owners of vehicles that fail the test and do not provide evidence of the repairs within 45 days. The second notice gives the owner an additional 20 days to comply or requests an administrative hearing before suspension notice is processed and mailed to the owner.

Condition:

Our review of the commercial diesel vehicle inspection record files disclosed the following:

- One inspection record could not be located.
- The department did not send second notices within 45 days for six out of seven vehicles with delinquent emissions. The notices were sent between 52 to 167 days after the inspection date.
- All four suspended vehicles’ files indicated that the vehicles were not suspended 20 days after the second notices were sent. The suspension actions were taken between 129 to 305 days after the notices were issued.

- Effect:* The effective enforcement mechanisms such as mandated registration suspensions and monitoring of repairs were not implemented as required by law.
- Cause:* Administrative controls were inadequate to ensure that delinquent emission vehicle notices were sent within the timeframe and suspensions were ineffective according to the laws and regulations.
- Recommendation:* The Department of Motor Vehicles should utilize its existing database and establish an alert system within the Commercial Vehicle Diesel Emissions Program to comply with relevant statutory timeframes and enhance the compliance of offending vehicles. (See Recommendation 8.)
- Agency Response:* “The agency agrees. The Department will no longer issue a second notice letter to the owner of a commercial vehicle that has failed an emission test. To comply with CGS 14-164i a suspension letter will be initiated after the 45 day period for compliance has lapsed and the registered owner has not provided the Department with evidence that repairs to the vehicle have been made.”

GAAP Reporting

- Criteria:* The State Accounting Manual and the State Comptroller’s Generally Accepted Accounting Principles (GAAP) closing and reporting instructions to all state agencies stipulate the procedures for completing GAAP reporting forms.
- Condition:* Our review of GAAP reporting forms for fiscal years 2011 and 2012 revealed the following:
- GAAP Form No. 2, Receivables, submitted for Emissions Late Fee for fiscal years 2011 and 2012 were overstated by \$26,880 and \$10,000, respectively.
 - GAAP Form No. 2, Receivables, submitted for Returned Checks for fiscal years 2011 and 2012 were understated by \$579,740 and \$513,706, respectively.
 - GAAP Form No. 5, Contractual Obligations, submitted for fiscal year 2012 was overstated by \$154,600,000 due to a typographical error.
 - During the review of the GAAP reporting, we were informed that GAAP Form No. 2, Receivables, submitted for

International Registration Plan for fiscal year 2014 was overstated by \$726,979.

Effect: The information submitted to the State Comptroller for receivables and contractual obligations was incorrect.

Cause: It appears as though an administrative oversight contributed to the condition.

Recommendation: The Department of Motor Vehicles should ensure that the GAAP forms submitted to the State Comptroller are prepared accurately. (See Recommendation 9.)

Agency Response: “The agency agrees. Additional levels of review have been initiated to reconcile all GAAP forms to their source documents.”

Bank Reconciliation

Criteria: Good business practices dictate that unreconciled items noted during the performance of bank reconciliations should be addressed promptly. In addition, proper separation of duties over bank reconciliations is an essential component of internal control.

Condition: Our review of four bank account reconciliations disclosed that three out of 17 unreconciled items were not resolved until six to eighteen months after the bank statement ending date.

We were informed that the person who used to review and approve the bank reconciliations started preparing them without any independent review and approval.

Effect: The lack of resolution regarding unreconciled items noted during the performance of bank reconciliations could delay the detection of errors. Also, there is lack of adequate separation of duties and monitoring.

Cause: We were informed that the situation occurred due to lack of adequate staffing. The department had started to utilize credit card machines, which created billing errors. As a result, staff had to address the billings as a priority and thus, were unable to resolve unreconciled items in a timely manner.

Recommendation: The Department of Motor Vehicles should ensure that all unreconciled items noted during the performance of bank reconciliations are addressed promptly. The department should also ensure that there is

adequate separation of duties concerning the performance of bank reconciliations. (See Recommendation 10.)

Agency Response: “The agency agrees. Due to increases in payment venues throughout the agency there was an added level of complexity within the reconciliation process. These issues have been resolved and the agency has met the criteria of the recommendation.”

Accounts Receivable

Criteria: The State Accounting Manual states that there should be proper maintenance of the receivables and that revenues and receivables for licenses, fees, permits, and donations should be recognized when the underlying event takes place and the state has an enforceable legal claim to the amount. In the event of a suspension of a credential, be it a registration or operator license, a receivable is created for the restoration fee to reinstate the credential.

Condition: We performed a comparative analysis on accounts receivable and noted that the emission late fee accounts were not properly analyzed for collection or write-off to identify those areas needing attention.

We also noted that the write-offs for the returned checks were understated by \$101,742.

Receivables for restoration fees are created as a result of registration and operator license suspensions. Those receivables are not tracked and maintained.

Effect: Accounts receivable is not properly maintained, accounted for, and reported.

Cause: We were informed that a lack of current system capabilities contributed to the condition.

Recommendation: The Department of Motor Vehicles should properly maintain its receivables in accordance with the State Accounting Manual. (See Recommendation 11.)

Agency Response: “The agency agrees. The CIVLS environment will enable the agency to track and report on restoration receivables. The emission’s late fee receivables were analyzed and written off.”

Collection of Administrative Fee and Documentation

Criteria: Section 14-12s of the Connecticut General Statutes states that for the registration of each motor vehicle that has passed an inspection of a manufacturer's vehicle identification number, the commissioner shall charge an administrative fee of ten dollars, in addition to any fee prescribed for such transaction.

Good business practices suggest that all transactions should be properly reviewed and documented in accordance with the agency policies before a fee is charged and a credential is issued.

Condition: Our review of revenue receipts disclosed that the department did not collect the inspection administrative fee of ten dollars at the time of the registration for seven of 38 transactions.

We also found that one handicapped registration did not have a medical review certificate or equivalent documentation. In addition, three temporary registration transactions did not have ownership information documentation.

Effect: When fees are not collected, there is lost revenue to the state.

Adequate documentation was not on file to support the issuance of handicap and temporary registrations.

Cause: It appears as though lack of administrative oversight and inadequate training of branch employees contributed to the condition.

Recommendation: The Department of Motor Vehicles should provide proper training to its branch employees to ensure that required fees are collected and proper documentation is presented before credentials are issued. (See Recommendation 12.)

Agency Response: "The agency agrees. The implementation of CIVLS will address the issue of fees not collected, under the new process based on the transaction type selected all associated fees for the transaction will be populated, our current Advance Workstation System requires the Examiner to manually select each fee to assess. The department will also be updating the Quick Reference Manual for Registration which will also provide frontline staff with a useful reference guide. In the interim, correspondence will be distributed to Branch Office staff instructing them to use more care when reviewing customer transactions to ensure the administrative fee of ten dollars is assessed on each motor vehicle that has passed a manufacturer's vehicle identification number

inspection and that proper supporting documentation is presented and retained relative to the issuance of handicap and temporary registrations.”

Timeliness of Deposits

- Criteria:* Section 4-32 of the General Statutes requires each state agency to deposit revenues totaling \$500 or greater within 24 hours of receipt unless an exception is granted by the Treasurer.
- Condition:* We were informed by the DMV Special Interest Plate Unit that some of the revenues received by the unit are not deposited within 24 hours and no special exemption was granted.
- Effect:* Receipts were not deposited in a timely manner as required by Section 4-32 of the General Statutes. Also, delays in depositing revenues increase the risk that items awaiting deposit may be misplaced.
- Cause:* The Special Interest Plate Unit staff was unaware that all revenue receipts totaling \$500 or greater should be deposited within 24 hours.
- Recommendation:* The Department of Motor Vehicles should ensure that deposits are made in a timely manner as required by Section 4-32 of the General Statutes. (See Recommendation 13.)
- Agency Response:* “The agency agrees. All management staff has been re-apprised of 4-32. Internal audit has performed an agency wide review of all depositing areas. Management is analyzing available solutions, in conjunction with the State Treasurers office, in order to meet 4-32 requirements.”

Revenue Accountability Reports

- Criteria:* In accordance with the 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 indicated in the prior audit report that it would have the ability to generate accountability reports when its IT Modernization project, CIVLS, was

completed. To date, the project is still incomplete and, as a result, accountability reports are not being generated.

Effect: The inability 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 variety of transactions 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 of Motor Vehicles should continue its efforts to complete the IT Modernization project, CIVLS, so it can prepare accountability reports for the primary sources of revenue. (See Recommendation 14.)

Agency Response: “The agency agrees. Accountability for receipts collected and the credentials issued are of utmost importance to the agency. The implementation of CIVLS will introduce the ability to run numerous reports verifying the accuracy of revenue within their individual accounts and reconciling them to the credentials issued. This important check and balance has been verified during the testing of the CIVLS system.”

Commercial Vehicle Insurance Requirements

Criteria: Section 14-163d subsection (a) of the General Statutes states, in part, that at least once per year, 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 (b) of the General Statutes states that the DMV Commissioner may establish a system to verify by electronic means of communication, that an owner of a motor vehicle described in subsection (a) of section 14-163c has the security requirements imposed by law and accepts the results from the insurance companies or any data source maintained by the U.S. Department of Transportation.

Section 14-163d subsection (d) of the General Statutes states that in addition to other penalties provided by law, the Commissioner of Motor Vehicles, after notice and opportunity for hearing in accordance with chapter 54, shall suspend the registration of each motor vehicle registered in the name of any owner who fails to file a motor carrier identification report or to provide satisfactory evidence of the security requirements imposed by law.

Section 14-50b subsection (b) of the General Statutes states that, any person whose operator's license or right to operate a motor vehicle in this state has been suspended or revoked by the Commissioner of Motor Vehicles shall pay a restoration fee of one hundred seventy-five dollars to said commissioner prior to the issuance to such person of a new registration or the restoration of such registration or such right of operation. Such restoration fee shall be in addition to any other fees provided by law.

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 registrations that were recently reviewed.

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.

The department does not suspend commercial vehicle registrations of uninsured motorists; instead, the registrations are cancelled and reinstated when motorists provide proper proof of insurance. Furthermore, the restoration fee of one hundred and seventy-five dollars is not collected from motorists as required by law.

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.

The state is not collecting the potential revenue from the restoration fee and the intended purpose of the fee, which is to promote compliance, is diminished.

Cause: It appears that the system the department developed for monitoring insurance and security compliance by commercial vehicles 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. The department should also restore commercial vehicle registrations in accordance with Section 14-50b of the General Statutes. (See Recommendation 15.)

Agency Response: "The agency agrees. There are two systems that will be introduced shortly that will allow the agency to not only check insurance in a real time environment, but will allow for the suspension of those registrations that are not in compliance."

Vehicle Inspection and Maintenance Program Report

Criteria: As required by the Clean Air Act Amendments of 1990, the Connecticut Department of Energy and Environmental Protection, in partnership with DMV conducts periodic evaluations of its enhanced Motor Vehicle Inspection and Maintenance (I/M) Program and generates a report. The report is submitted in fulfillment of the requirements to provide an annual I/M report per 40 CFR 51.336. This report addresses data collected for calendar year 2012.

Condition: We found that some numbers reported in the initial gas audits column, which were included in the appendix to the Annual Evaluation of Connecticut's Inspection and Maintenance Program 2012 final report, were altered compared to the original source documents provided by the department. Four hundred and fifty one initial gas audits were reported in the final report compared to 424 reflected in the department's original source documentation.

Effect: There was a discrepancy between the published report and the department's records, which is misleading.

Cause: It appears that lack of proper verification of the number of gas audits conducted contributed to the condition.

Recommendation: The Department of Motor Vehicles should properly verify the accuracy of its information before including it in a report. (See Recommendation 16.)

Agency Response: “The agency agrees and has worked with its vendor on simplifying the reporting process using the new Emissions Database Management System (EDBMS). The information will be contained within the EDBMS, and then will be crosschecked by staff. The new system will be fully implemented shortly.”

Outdated Registration Procedures

Criteria: Proper internal control dictates that formal written procedures should be established, maintained, and disseminated to provide guidance to employees in the performance of their assigned duties.

The responsibility of designing and implementing internal controls is a continuous process. As conditions change, control procedures may become outdated and inadequate. Management must anticipate that certain procedures will become outdated, inadequate or obsolete, and that it will become necessary to modify its internal controls in response.

Condition: We found that the DMV’s Quick Reference Manual for Registration was outdated. The manual has not been updated in approximately ten years.

Effect: The ability to train employees, as well as the effectiveness and efficiency of the registration process performed by DMV may be diminished.

Cause: The updating of formal, comprehensive written procedures concerning its registration function does not appear to be a high priority of the department.

Recommendation: The Department of Motor Vehicles should improve its internal controls by updating and maintaining its formal, comprehensive written procedures related to its registration process. (See Recommendation 17.)

Agency Response: “The agency agrees. In conjunction with the CIVLS project, the ‘Quick Reference Manual for Registration’ will be reviewed and updated by department personnel to reflect current registration processing procedures. Once revised, management from the Branch Operations

area will be responsible for updating the document in a timely manner thereby providing staff with a useful reference document.”

Security Cameras

- Background:* The volume of cash transactions handled at DMV branches and some of the challenges present because of the current antiquated computer system appear to increase the probability of improprieties occurring and not being detected. Surveillance cameras would help to better detect those improprieties.
- Surveillance cameras also enhance the safety of employees and those who access the services of DMV. In addition, cameras can be used to safeguard the department’s assets.
- Criteria:* Security devices, such as surveillance cameras, provide an electronic record of the activities that take place at DMV locations. In the event of theft or other improper activities, information recorded by these cameras can be useful in an investigation.
- Condition:* We were informed that security cameras are only installed in nine out of the 19 DMV branches.
- Effect:* The lack of security cameras increases the risk of theft or improper activities occurring and not being detected.
- Cause:* The department indicated that there are budgetary constraints, which contributed to the condition.
- Recommendation:* The Department of Motor Vehicles should consider implementing security cameras in all its branches. (See Recommendation 18.)
- Agency Response:* “The agency agrees. The department is currently undertaking the installation of security cameras at the Norwich Branch Office in conjunction with other scheduled facility work at that location. DMV will be seeking special funding to proceed with the installation of cameras at the remaining branches.”

Disaster Recovery Planning

- Criteria:* Sound business practices include provisions that organizations have up-to-date IT disaster recovery plans in place to enable the resumption of critical operations 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 tested periodically.

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 an up-to-date 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 and backed up at the Department of Transportation (DOT). With respect to DMV's major application housed within the Bureau of Enterprise Systems and Technology (BEST), DMV was unable to provide any formal documentation of periodic testing and the BEST disaster recovery plan does not specify DMV's responsibilities. These conditions persisted during our current audited period.

In response to a prior recommendation, DMV established two back-up servers at DOT. 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, CIVLS that the department has been working on for the past six years does not have any disaster recovery steps planned as of March 2015. Release 1 of the project was implemented in 2012 and the implementation of Release 2 for motor vehicle registrations is planned for the summer of 2015.

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

Cause: DMV was aware of the need for a disaster recovery plan, but the task was not a high priority. The department devoted its resources to the modernization project and neglected the creation of an up-to-date disaster recovery plan.

Recommendation: The Department of Motor Vehicles should continue efforts to create a comprehensive disaster recovery plan that covers information technology-related activities of the whole agency and periodically perform testing of that plan. (See Recommendation 19.)

Agency Response: "The agency agrees with the need for a written agreement with a sister agency to provide arrangements for hot/cold site utilization of its midrange applications housed within DMV facilities. The agency will pursue a formal agreement with DAS BEST upon the completion of the

DAS BEST Groton move. This change will formalize the arrangements and move the responsibility from DOT to DAS BEST.”

“The agency disagrees with the CIVLS modernization project disaster recovery steps. This system is housed at DAS BEST. DMV defers to DAS BEST to comply through their disaster recovery protocol.”

*Auditors’ Concluding
Comments:*

Although DMV has the CIVLS servers housed at DAS BEST and they are covered under the DAS BEST Disaster Recovery Plan protocol, there is no formal service level agreement in place outlining the terms that DMV and DAS BEST should adhere to in a disaster recovery situation.

Connecticut Integrated Vehicle and Licensing System (CIVLS)

Background:

The CIVLS project is the department’s modernization program. The program is a multi-million dollar, multi-year initiative that proposes extensive changes and improvements to the department’s information technology systems and administrative processes so that more reliable and accurate information, greater efficiency in service, and increased customer service offerings are available. The first release of the project for dealers and repairers (LMRB – Licensed Manage Regulated Business) was implemented in 2012, and the second release for registration is scheduled to be implemented in the summer of 2015. The third and final release for operator licenses will be implemented at some point in the future.

The CIVLS is a Modified Off-the-Shelf (MOTS) type of software solution. This software was developed and sold by 3M Corporation, the current DMV contractor for the project. The 3M Corporation is customizing the software to meet the department’s needs.

Criteria:

Prudent business practices suggest that project management should define business requirements adequately and plan projects accordingly before the request for proposal (RFP) process.

It is the responsibility of project management and business owners to properly review a contract to ensure that all the requirements of the projects are clearly stated in the contract, thereby avoiding unnecessary additional costs and delays.

Condition:

During our review of the on-going CIVLS project, we noted that the project has been delayed because of the following issues:

- The lack of adequate business requirement definitions and project planning resulted in certain requirements not being included in the RFP.
- We were informed by the department and the 3M Corporation that there was a large percentage of scope changes to modify the project because of improper review of the CIVLS contract, which resulted in not identifying incomplete requirements. To date, this situation has cost the state an additional \$1.9 million over the \$22 million committed to the contract, and the project is incomplete.
- Since the start of the project, 3M Corporation has changed project managers 12 times.
- The DMV Internal Audit Services Unit was not involved in the project planning and could not provide feedback on proper internal control requirements for different areas in the new system. Risk assessment conducted by an outside certified public accountant also recommended that the Audit Services Unit should have been more involved in the process of the CIVLS project planning, development, implementation and post-implementation.

Since the implementation of Release 1, the Audit Services Unit has performed a post implementation audit and found four internal control-related weaknesses.

Effect: It appears that inadequate planning of the project not only increased the cost, but also resulted in delaying the completion of the project. Many existing issues with the current antiquated system that should be resolved with CIVLS may remain unsolved for years.

Cause: It appears that a lack of proper initial planning by the department and 3M Corporation has resulted in additional costs and delays in the project's completion.

Recommendation: The Department of Motor Vehicles should consider proper planning by using professional project management services for major projects such as CIVLS, so there is adequate planning in order to avoid additional costs and issues in carrying out the project. (See Recommendation 20.)

Agency Response: "The agency agrees, the department will review and analyze the need for professional project management services when undertaking major IT related projects going forward. This may assist the project in being

appropriately financed, planned and completed in a timely and cost effective manner.”

RECOMMENDATIONS

Our prior audit report on the fiscal years ended June 30, 2009 and 2010 contained a total of six recommendations. Of those recommendations, three have been implemented, resolved, or not repeated.

Status of Prior Audit Recommendations:

- *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. This recommendation will be repeated to reflect current conditions. (See Recommendation 1.)*
- *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 five business days as required by the State Accounting Manual. This recommendation will not be repeated.*
- *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. This recommendation will be repeated. (See Recommendation 2.)*
- *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. This recommendation will not be repeated.*
- *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. This recommendation has been modified to reflect the current conditions. (See Recommendation 15.)*
- *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. This recommendation will not be repeated.*

Current Audit Recommendations:

- 1. The Department of Motor Vehicles should maintain its inventory according to the State Property Control Manual and consider utilizing asset inventory barcode scanners.**

Comment:

Our examination of capital equipment items revealed that obsolete items were included in inventory listing. Some of those items were disposed of, but not in a timely manner. Also, we found that in some cases, equipment was not in its correct location; in one case, an item was not tagged; and in another case, an item could not be found.

- 2. The Department of Motor Vehicles should establish controls to ensure its compliance with the telecommunication equipment policies of DAS, Bureau of Enterprise Systems and Technology.**

Comment:

Our review of monthly detailed electronic bills and monthly individual usage reports disclosed that 47 percent of the individual reports were not signed by the employees verifying that monthly charges were correct and that the related usage was appropriate. In nine cases, the individual reports were not signed by supervisors and five cellular telephones remained active after the employees were terminated from state service.

- 3. The Department of Motor Vehicles Human Resources Unit should implement standardized written performance and review procedures relative to its investigation process. Such procedures should include documentation to substantiate the human resources administrator's review of the case files prepared and the conclusions reached from the investigations.**

Comment:

The case file documentation related to the Human Resources Unit's investigations disclosed a lack of documented evidence to support the human resources administrator's review of the case files prepared and an agreement with the conclusions reached from the investigations.

- 4. The Department of Motor Vehicles should ensure that annual performance evaluations are performed on its managerial employees.**

Comment:

Our review revealed that performance evaluations were not prepared for managers during our audited period.

- 5. The Department of Motor Vehicles should ensure that the hours worked by managers are in compliance with the DAS Manager’s Guide.**

Comment:

Our review of the attendance report for managerial employees with the ability to make changes to time and attendance records in the Human Resources Unit disclosed instances in which two employee schedules did not comply with the guidelines established by DAS.

- 6. The Department of Motor Vehicles should ensure that it is in compliance with the dual employment requirements of Section 5-208a of the General Statutes.**

Comment:

Our review disclosed that all three employees with dual employment arrangements did not have dual employment forms on file.

- 7. The Department of Motor Vehicles should establish controls to ensure that access to the Core-CT system is deactivated immediately upon termination of an employee.**

Comment:

Our review of access to the Core-CT system for employees who no longer work for the department disclosed that the department did not immediately deactivate access to the system for four terminated employees.

- 8. The Department of Motor Vehicles should utilize its existing database and establish an alert system within the Commercial Vehicle Emissions Program to comply with the relevant statutory timeframes and enhance the compliance of offending vehicles.**

Comment:

Our review of the commercial diesel vehicle record files disclosed that one inspection record could not be located, and the department did not send second notices within 45 days for six out of seven vehicles with delinquent emissions. Also, four suspended vehicles’ files indicated that non-compliant vehicles were not suspended 20 days after the second notices were sent.

- 9. The Department of Motor Vehicles should ensure that the GAAP forms submitted to the State Comptroller are prepared accurately.**

Comment:

There were errors in certain GAAP forms submitted for fiscal years 2011, 2012 and 2014.

- 10. The Department of Motor Vehicles should ensure that all unreconciled items noted during the performance of bank reconciliations are addressed promptly. The department should also ensure that there is adequate separation of duties concerning the performance of bank reconciliations.**

Comment:

Our review of four separate bank account reconciliations for one of the department's banks disclosed that three out of 17 unreconciled items were not resolved promptly.

- 11. The Department of Motor Vehicles should properly maintain its receivables in accordance with the State Accounting Manual.**

Comment:

Our comparative analysis of accounts receivable noted that the emissions late fee accounts are not properly analyzed for collection or write-off. We also noted that the write-offs for returned checks were understated. In addition, we were informed that some receivables are not tracked and maintained due to systems incapability.

- 12. The Department of Motor Vehicles should provide proper training to its branch employees to ensure that required fees are collected and proper documentation is presented before credentials are issued.**

Comment:

Our review of revenue receipts disclosed that seven of 38 transactions did not have the inspection administrative fee of ten dollars collected at the time of registration. Also, proper documentation was not always collected before credentials were issued.

- 13. The Department of Motor Vehicles should ensure that deposits are made in a timely manner as required by Section 4-32 of the General Statutes.**

Comment:

We were informed by the DMV Special Interest Plate Unit that some of the revenues received by the unit are not deposited within 24 hours and that no special exemption was received from the Office of the State Treasurer.

- 14. The Department of Motor Vehicles should continue its efforts to complete the IT Modernization project, CIVLS, so it can prepare accountability reports for the primary sources of revenue.**

Comment:

As noted in the prior and current audits, the department is unable to produce accountability reports for most of its primary sources of revenue.

- 15. 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. The department should also restore commercial vehicle registrations in accordance with Section 14-50b of the General Statutes.**

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.

Also the department does not suspend the commercial vehicle registrations of uninsured motorists, and the restoration fee of one hundred and seventy-five dollars is not collected as required by law.

- 16. The Department of Motor Vehicles should properly verify the accuracy of its information before including it in a report.**

Comment:

We found that some of the numbers reported in the Annual Evaluation of Connecticut's Inspection and Maintenance Program final report were inaccurate.

- 17. The Department of Motor Vehicles should improve its internal controls by updating and maintaining its formal, comprehensive written procedures related to its registration process.**

Comment:

We found that the DMV's Quick Reference Manual for Registration was outdated. The manual has not been updated in approximately ten years.

- 18. The Department of Motor Vehicles should consider implementing security cameras in all of its branches.**

Comment:

We were informed that not all DMV branches have security cameras. Of the 19 branches, only nine have cameras installed.

- 19. The Department of Motor Vehicles should continue efforts to create a comprehensive disaster recovery plan that covers information technology-related activities of the whole agency and periodically perform testing of that plan.**

Comment:

The department does not have a comprehensive disaster recovery plan in place.

- 20. The Department of Motor Vehicles should consider proper planning and professional project management for major projects such as CIVLS, so there is adequate planning in order to avoid additional costs and issues in carrying out the project.**

Comment:

Several issues have caused the delay of the department's CIVLS modernization project.

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, 2011 and 2012. 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, 2011 and 2012 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 8 – Diesel Commercial Vehicle Emission Testing Program; Recommendation 12 – Collection of Administrative Fee and Documentation; Recommendation 13 – Timeliness of Deposits; Recommendation 14 – Revenue Accountability Reports and Recommendation 15 – Commercial Vehicle Insurance Requirements. 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.


Andrea E. Evans
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts