

STATE OF CONNECTICUT



*AUDITORS' REPORT
DEPARTMENT OF MOTOR VEHICLES
FOR THE FISCAL YEARS ENDED JUNE 30, 2013, 2014 AND 2015*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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December 5, 2018

AUDITORS' REPORT DEPARTMENT OF MOTOR VEHICLES FOR THE FISCAL YEARS ENDED JUNE 30, 2013, 2014 AND 2015

We have audited certain operations of the Department of Motor Vehicles (DMV) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2013, 2014 and 2015.

The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions.
3. Evaluate the effectiveness, economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United

States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources, including but not limited to, the department's management and the state's information systems, and was not subjected to the procedures applied in our audit of the department.

For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Department of Motor Vehicles.

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.

Melody A. Currey was appointed commissioner in January 2011 and served in that position until January 2015. Andres Ayala, Jr. was appointed commissioner in January 2015 and served in that position until January 2016. In March 2016, Governor Malloy appointed Michael R. Bzdyra as commissioner, and he continues to serve in that position.

Legislative Changes

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

- **Public Act 13-89**, effective January 1, 2015, authorized the issuance of driver's licenses for individuals who cannot provide proof of legal United States residence or a social security number. The license is for driving purposes only, and cannot be used for federal identification or voting purposes.

- **Public Act 14-19**, effective July 1, 2015, eliminated the requirement that municipalities pay to participate in the delinquent property tax enforcement program and required the municipalities participating in the program to report property tax delinquencies to DMV at least once per month.
- **Public Act 14-130**, Section 13, effective January 1, 2015, authorized DMV to adopt procedures to issue licenses more quickly, and charge up to \$75 for this service.
- **Public Act 14-130**, Section 15, effective July 1, 2014, prohibited the issuance or renewal of a dealer or repairer license if the Department of Revenue Services reports tax delinquencies for the dealer or repairer.
- **Public Act 14-228**, effective July 1, 2015, made a number of changes affecting driving under the influence, driver's license suspensions, and ignition interlock device requirements. It effected penalties imposed when a person is administratively found to have violated drunk driving laws or convicted of driving under the influence.
- **Public Act 15-5**, of the June 2015 Special Session, Sections 201, 202 and 204, effective upon passage, required commercial driver's license (CDL) applicants and holders applying for renewal to self-certify the type of commerce in which they expect to or currently engage. The act also provided that DMV cannot issue or renew a CDL to anyone who does not make the certification, and must downgrade a CDL to a Class D operator's license within 60 days of a CDL holder's failure to self-certify.
- **Public Act 15-5**, of the June 2015 Special Session, Sections 229 through 232, effective upon passage, required DMV to establish an online insurance verification system to confirm that a vehicle owner or operator obtains and maintains the insurance coverage required by law, and to provide DMV and insurers an effective way to comply with the law's provisions.
- **Public Act 15-230**, effective July 1, 2015, required new car dealers to provide a written statement notifying a purchaser that federal law prohibits voiding a warranty simply because aftermarket or recycled parts were used on the vehicle or someone other than the dealer serviced the vehicle.
- **Public Act 15-244**, Sections 206 and 208, effective October 1, 2015, allowed municipalities and special taxing districts to tax motor vehicles at a different rate than other taxable property, but capped the motor vehicle rate at 32 mills for the 2015 assessment year and 29.36 mills for the 2016 assessment year and thereafter. The act further limited the motor vehicle mill rate that special taxing districts and boroughs may impose by barring them from setting a rate that, if combined with the municipality's motor vehicle mill rate, would exceed the capped rate.

RÉSUMÉ OF OPERATIONS

General Fund Revenue

While the majority of the department's revenue is deposited into the Special Transportation Fund, \$1,026,678, \$1,100,871 and \$1,094,026 were deposited into the General Fund during the 2013, 2014, and 2015 fiscal years, respectively. These amounts consisted primarily of receipts from municipalities to offset the administrative costs of the delinquent property tax program, as specified in Section 14-33 (e) of the General Statutes.

Special Transportation Fund

In accordance with Section 13b-61 (b) of the General Statutes, the majority of the Department of Motor Vehicles' revenues are deposited into 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>2013</u>	<u>2014</u>	<u>2015</u>
Registrations	\$185,975,940	\$185,864,421	\$196,174,032
Temporary Registrations	7,721,899	8,122,912	8,205,194
Operator Licenses	36,294,715	37,127,293	40,292,793
Inspection of Motor Vehicles	6,924,710	7,191,466	7,361,470
Certificates of Title	18,997,694	19,903,255	20,069,425
License Examinations	6,312,924	6,777,839	9,266,675
Late Fees, Fines and Costs	13,471,387	13,693,319	14,638,226
Interstate Carrier Permits	3,064,500	2,004,923	5,076,600
Safety Plate Fees	2,890,805	3,355,911	3,216,196
Emissions Late Fees	3,297,409	3,440,939	3,410,561
Emissions Exemptions – 4 years	8,170,560	8,608,040	9,298,240
Sale of Commercial Information	23,537,541	23,178,516	23,067,112
Federal Clean Air Act	8,757,215	8,928,634	9,035,771
All Others	<u>5,786,813</u>	<u>6,102,332</u>	<u>7,026,456</u>
Total	<u>\$331,204,112</u>	<u>\$334,299,800</u>	<u>\$356,138,751</u>

Section 14-49b of the General Statutes imposes a federal Clean Air Act fee for each new registration or renewal of a motor vehicle. The fee is \$10 per registration for a biennial period and \$5 per registration for an annual period, payable to DMV. Payments collected shall be deposited as follows: 57.5% into the Special Transportation Fund and 42.5% 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 (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:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Personal Services	\$38,551,088	\$41,166,161	\$44,080,260
Other Expenses	13,305,016	15,026,177	16,143,992
Equipment	600,000	742,509	520,291
Reflective License Plates	220,820	27,108	2,401,858
CVISN Project	216,128	165,470	175,147
Other	<u>0</u>	<u>328,950</u>	<u>547,305</u>
Total	<u>\$52,893,052</u>	<u>\$57,456,375</u>	<u>\$63,868,853</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 federal REAL ID programs. A summary of fund expenditures is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Personal Services	\$1,738,701	\$1,903,530	\$1,724,153
Other Expenses	1,647,063	1,230,705	1,629,105
Equipment	<u>254,757</u>	<u>94,212</u>	<u>40,234</u>
Total	<u>\$3,640,521</u>	<u>\$3,228,447</u>	<u>\$3,393,492</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 the 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 activity of the fund during the audited period:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue:			
Investment Income	\$1,681,411	\$1,665,521	\$1,615,389
Total Revenue	<u>1,681,411</u>	<u>1,665,521</u>	<u>1,615,389</u>
Expenditures:			
Personal Services and Fringe Benefits	4,883,937	4,533,967	5,294,816
All Other Expenditures	<u>252,869</u>	<u>443,319</u>	<u>419,957</u>
Total Expenditures	<u>5,136,806</u>	<u>4,977,286</u>	<u>5,714,773</u>
Excess of Revenue over Expenditures	<u>(3,455,395)</u>	<u>(3,311,765)</u>	<u>(4,099,384)</u>
Appropriation Transfer	6,500,000	6,500,000	6,500,000
Fund Balance at Beginning of Year	<u>4,179,810</u>	<u>7,224,415</u>	<u>10,412,650</u>
Fund Balance at End of Year	<u>\$7,224,415</u>	<u>\$10,412,650</u>	<u>\$12,813,266</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. Also, the Comptroller occasionally transfers funds from the Emissions Enterprise Fund into the General 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 \$5,165,773, \$5,140,400 and \$5,255,569 during the fiscal years ended June 30, 2013, 2014, and 2015, respectively.

DMV also collected receipts that were credited to other state agencies. A comparative summary, per the agency's records, follows:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Sales Tax	\$79,000,463	\$82,291,145	\$83,792,175
DEP Clean Air Act Fee	7,351,795	7,526,316	7,628,424
Boat Registrations	4,917,737	4,849,268	4,810,899
Long Island Sound Plates	88,285	118,005	102,535
Motorcycle Rider Education	202,396	207,934	201,312
Other Miscellaneous Receipts	<u>193,661</u>	<u>227,646</u>	<u>187,861</u>
Total	<u>\$91,754,337</u>	<u>\$95,220,314</u>	<u>\$96,723,206</u>

State Capital Projects

Expenditures from state Capital Projects Funds totaled \$144,018 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:

Deficiencies in Property Control and Reporting

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

Capitalized assets are to be properly reported on the Asset Management/Inventory Report (CO-59 form), which should reflect the sum total of the physical inventory as of June 30th. Agencies are required to use asset management queries to complete the CO-59 form. The State Comptroller requires that agencies submit a written explanation for a discrepancy if the values recorded on the CO-59 do not reconcile to Core-CT, which is the state's accounting information system.

The Core-CT Asset Management team recommends that an agency utilize asset inventory barcode scanners to track its inventory.

Condition: Our review of the department's inventory disclosed the following:

- A review of 10 equipment purchases revealed a software expenditure that was incorrectly categorized as capitalized office equipment. Additionally, we found 3 capitalized equipment items with recorded costs that were inappropriately reduced by the trade-in value of the asset rather than at the asset's proper actual cost.
- A review of 10 asset disposals revealed that insufficient evidence existed to show that the disposal of 1 asset was authorized and completed in accordance with the State Property Control Manual.
- The department did not include an explanation as to why the values recorded on the CO-59 differed from values recorded in Core-CT in its submission of the fiscal year 2014-2015 CO-59. The variance totaled \$32,041.
- During the current audit, we found that DMV is not using bar scanners to track its inventory.

Effect: The property inventory records were not accurate in the state’s accounting information system, and DMV did not notify the Office of the State Comptroller of the discrepancy on the reported CO-59.

Cause: It appears that a lack of clear instruction in the State Property Control Manual resulted in the department using a method of recording capital asset additions net of trade-in values. Additionally, a turnover of asset management functions within the department resulted in recordkeeping and recording deficiencies.

Recommendation: The Department of Motor Vehicles should revise its asset capitalization procedures to ensure that capital assets are recorded at actual cost. In addition, the department should improve internal controls over asset management, including implementation of asset inventory barcode scanners, to ensure that assets are properly recorded, maintained, and safeguarded in accordance with the State Property Control Manual. (See Recommendation 1.)

Agency Response: “The agency agrees with the recommendation for this audited period. Procedures have been implemented in FY16 to eliminate errors. The protocol for addressing trade-in values has been changed so that capital asset acquisitions are recorded without trade-in discounts. Procedures for processing software and equipment purchases have been reviewed and staff retrained. Procedures for the authorization and disposal of assets are in place to ensure compliance with the State Property Control Manual. Staff consistency in the asset management unit has eliminated any issues with record keeping and the preparation of reports.

The department intends to transition to barcode scanning for asset management. Fiscal constraints have prevented us from moving forward to date, but we recognize the value in utilizing the barcode system and anticipate moving forward with the purchase of the necessary equipment and transitioning to the system as soon as possible based on department resources.”

Human Resources Unit – Investigations of Alleged Improprieties

Criteria: The department’s Human Resources Investigation Guidelines state that the Human Resources Unit should investigate employee misconduct or actions. Upon conclusion of the investigation, the unit must document any findings, conclusions, or recommendations.

Condition: Our review disclosed that 4 out of 16 investigation case files selected lacked documented evidence to support the human resources review and

resolution of the investigation. Also, DMV could not find the case file for 1 investigation.

Effect: The lack of documentation of the human resources review and resolution of investigations increases the risk that conclusions reached and actions taken may be inconsistent.

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

Recommendation: The Department of Motor Vehicles Human Resources Unit should include documentation in its investigation case files to substantiate its review and resolution of the investigation. (See Recommendation 2.)

Agency Response: “The agency agrees. Monthly reviews of pending and completed investigations will be scheduled with staff. In addition, a sign-off sheet will be attached to investigation files to note status, actions taken (if any), and closure once the investigation is closed to ensure all the required documentation is complete.”

Managerial Performance Evaluations Not Completed

Criteria: The Performance Assessment and Recognition System (PARS) is a program developed by the Department of Administrative Services to support additional incentive compensation for managerial and confidential employees. Managerial and confidential employees may receive an annual increase if they meet performance expectations in their annual PARS review. These employees may also be eligible for a performance recognition award and an additional incentive payment if they “exceed expectations” on their annual PARS evaluation.

Condition: Our review of the personnel files of 15 managerial employees during the audited period disclosed that an annual performance evaluation was not on file for 3 employees in both fiscal years 2014 and 2015.

Effect: When performance evaluations are not prepared, there is less formal feedback to management about performance goals, the attainment of such goals, and productivity expectations.

Cause: The department did not consistently complete annual evaluations for its managerial employees. Also, it appears that the Human Resources Unit does not monitor whether the evaluations have been completed.

Recommendation: The Department of Motor Vehicles should ensure that it performs annual performance evaluations for all of its managerial employees. (See Recommendation 3.)

Agency Response: “The agency agrees. A list of completed PARS evaluations will be compiled each August and any outstanding PARS evaluations will be requested of Division Chiefs. If after two reminders they are not forwarded to Human Resources, the Commissioner will be copied and the manager will be cited for non-completion of the PARS evaluation.”

Improper Use of the Leave in Lieu of Accrual Time Reporting Code

Criteria: Core-CT established a job aid to assist agencies in how the Leave in Lieu of Accrual (LILA) time reporting code (TRC) should be used. The job aid states that the code is intended to be used temporarily and should be changed once the accrual/compensatory time has been posted and is available for use. Additionally, the job aid indicates that the appropriate override reason code should be used with LILA so that the correct leave can be identified and adjusted accordingly.

Condition: Our review of 13 instances of LILA usage revealed the following:

- Seven instances in which LILA was used, but not subsequently adjusted to reflect the actual leave used.
- Nine instances in which an override reason code was not used to identify the type of leave the LILA was used for.

Effect: A lack of monitoring of the use of the LILA time reporting code could result in employees using more leave time than they have earned.

Cause: The department does not always monitor the use of LILA and make the appropriate adjustments.

Recommendation: The Department of Motor Vehicles should ensure that the Leave in Lieu of Accrual time reporting code is properly used, reported, and adjusted in accordance with established criteria. (See Recommendation 4.)

Agency Response: “The agency agrees. This problem has been addressed. The payroll officer is reviewing LILA code reports at least monthly to ensure temporary LILA codes can be recoded with the correct accrual or leave time code.”

Lack of Adherence with Dual Employment Provisions

Criteria: Section 5-208a of the General Statutes provides that no state employee shall be compensated for services rendered to more than 1 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 must be completed by the employee’s secondary and primary agency as prescribed in the general letter.

Condition: Our review disclosed that all 4 employees with dual employment arrangements did not always 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: The department informed us it was not aware of the dual employment of its employees.

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 5.)

Agency Response: “The agency agrees. This problem has been addressed. In the past, the agency was cited for instances in which outside agencies employed DMV employees in secondary employment without notifying DMV Human Resources of the employment situation, or receiving the required approval of DMV as the primary agency. The Assistant Director of DMV Human Resources has been utilizing a monthly DAS report developed to review any employees reported as dually employed. Currently there are no employees who are dually employed by another agency without proper authorization.”

Access to Core-CT for Terminated Employees

Criteria: The Core-CT Security Liaison Guide states that the agency’s security liaison should request that access be deactivated immediately upon the notice of an employee’s termination, retirement, or transfer to another department or agency.

Condition: Our review of access to the Core-CT system for 27 terminated employees disclosed that the department did not immediately deactivate access to the

system for any of the terminated employees. It took the department 7 to 665 days to deactivate their 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 the termination of an employee. (See Recommendation 6.)

Agency Response: “The agency agrees. The agency is in the process of developing CORE access deactivation procedures in which the Payroll Officer will be given security authority to deactivate roles in CORE upon termination of an employee. The request has been submitted to CORE security for this role to be added as a control point for this issue, which will alleviate and eliminate the delays cited in deactivation.”

Deficiencies with Driving Instructor and Driving School Licensing

Criteria: Section 14-69 of the General Statutes requires each applicant for a driving school license to be fingerprinted before such application is approved. DMV must subject each applicant to state and national criminal history records checks, and a check of the state child abuse and neglect registry. The biennial fee is \$700 for the renewal of a license and \$176 for each additional place of business. If the licensee opens an additional place of business within 1 year or less, DMV will charge a fee of \$88 for the year or any part remaining on the term of such license.

Section 14-73 of the General Statutes requires each applicant for an instructor’s license to be fingerprinted and to furnish evidence satisfactory to DMV that such applicant is of good moral character considering checks of criminal history records and the state’s child abuse and neglect registry.

Section 14-78-40 of the Regulations of Connecticut State Agencies requires that DMV uses its inspection lanes to inspect each motor vehicle designated for behind-the-wheel instruction to verify its fitness for use and that the required safety equipment is installed prior to any instruction or driver testing. Such inspection must be conducted on an annual basis.

Section 14-78-45 of the Regulations of Connecticut State Agencies requires each DMV-licensed commercial driving instructor to be subject

to periodic driving proficiency tests administered by DMV. Such driving proficiency tests must be administered on a schedule determined by DMV, and no more than 2 years shall pass between such driving proficiency tests.

Section 14-78-48 of the Regulations of Connecticut State Agencies requires an applicant for an instructor's license to submit an application on a form approved by DMV. Such application must include all information required by DMV, the required fee, and be signed by the applicant.

Section 14-78-51 of the Regulations of Connecticut State Agencies allows a licensee to renew an instructor license by filing a renewal application and paying the renewal fee. A renewal applicant should biannually submit a medical certification and should be subject to a state records check and a check of the state child abuse and neglect registry.

Additionally, DMV has an established driving school license checklist, which requires applicants to provide corporation or trade name papers from the Secretary of the State.

Condition:

Our review of 10 licensed driving instructors and 10 licensed driving schools revealed the following:

Instructor's License

- Fingerprints were not on file for 4 instructors;
- DMV did not perform a proficiency test for 4 instructors within the 2-year timeframe. Furthermore, 6 instructors' proficiency test evaluations did not include vision tests or test vehicle information; and
- A DMV inspector did not sign license applications for 2 instructors, and DMV did not file the examination result for 1 application.

Driving School's License

- Not all vehicle annual inspection reports were on file for 9 schools;
- DMV did not approve license applications for 4 schools;
- Authorization for Release of Information forms, for checking the state child abuse registry, were not on file for 4 schools;

- Fingerprints of the applicants and associate personnel for criminal background checks were not on file for 3 schools;
- No company corporation or trade name papers from the Secretary of the State were on file for 3 schools; and
- We were unable to determine whether DMV collected biennial renewal license fees for 3 branches of a driving school, because the count for license fee payments differed from the number of branches from other sources.

Effect: Driving school instructors and driving schools without the proper credentials could be granted licenses. Uninspected vehicles used for driving could jeopardize students' safety. In addition, there is uncertainty that all license fees were collected, which could impact state revenue.

Cause: The department does not have proper controls in place to ensure that licensed instructors and driving schools met the necessary requirements. In addition, a lack of administrative oversight caused these conditions to occur.

Recommendation: The Department of Motor Vehicles should establish written procedures for issuing licenses to driving instructors and driving schools to comply with state laws and regulations. In addition, the department should strengthen internal controls and administrative oversight to ensure the safety of students. (See Recommendation 7.)

Agency Response: "The Department of Motor Vehicles, Driver Education Unit (DEU), agrees in part with the audit findings and will combine the written procedures currently used into user manual form. Regarding the conditions noted, the department offers the following comments:

Instructor's License Findings

Fingerprints: The agency disagrees. Although instructors licensed prior to July 1, 2010 may have submitted fingerprints, it was not a requirement until that time.

Proficiency Tests: The agency disagrees. A review of the samples found that the tests were on file, not required due to not renewing, or not required yet based on timing. In addition, vision & test vehicle information is not required as part of the proficiency test.

Signatures: The agency agrees. However, the CIVLS system is used to process school and instructor licenses. The employee ID appears in CIVLS to indicate who issued the license, and this constitutes a signature.

Driving School's Licenses Findings

Vehicle Inspection: The agency disagrees. Vehicles are not used for testing unless the vehicle has a valid inspection sticker issued by the DMV inspection lane employee.

Signatures: The agency agrees. However, the CIVLS system is used to process school and instructor licenses. The employee ID appears in CIVLS to indicate who issued the license and this constitutes a signature.

Authorization for Release: The agency disagrees. The DMV DCF release forms are generally filed in the instructor license file rather than the driving school file. The agency will continue to review filing methods to ensure records are referenced easily.

Company Name Papers: The agency disagrees. The documents would be filed in the Main school file of that branch. The agency will continue to review filing methods to ensure records are referenced easily

Fees: The agency disagrees. Licenses are not issued until the applicant submits payment based on system requirements.”

*Auditors' Concluding
Comments:*

Instructor's Licensing Findings

Fingerprints: Driving school instructors must renew their licenses every 2 years. The fingerprinting requirement became effective October 1, 2010. Since our audit covered the period from July 1, 2013 through June 30, 2015, DMV should have all licensed instructors' fingerprints on file for the period reviewed.

Proficiency Tests: The regulations require that DMV administer proficiency tests within 2 years. Our review of the records revealed that DMV performed the tests after 2 years.

Vision and test vehicle information are under “DMV USE” on the Proficiency Test R-250 form, which our review revealed was not completed. DMV should consider updating the form to reflect its current policy, since vision and test vehicle requirements are addressed elsewhere.

Driving School's Licenses Findings

Vehicle Inspection: There is no clear established procedure to ensure that DMV inspected all driving school vehicles used for testing. DMV

informed us that driving schools are supposed to send/fax copies of the vehicle inspection reports after passing inspection. However, the agency does not keep track of the records, and thus may not monitor whether all the vehicles were annually inspected.

Authorization for Release: During our review, we were unable to locate the release forms in the instructor or driving school files.

Company Name Papers: During our review, we did not find the documents in the main school or the branches files.

Fees: The payment file DMV gave us did not indicate payments for specific branches. Instead, the file listed all payments under the same driving school, which showed a total count of 73 payments (72 for branches and 1 for the main office). DMV provided us a branch list that did not match the counts in the payment file.

Inaccurate 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 specify the procedures for completing GAAP reporting forms.

Condition: Our review of GAAP Form No. 2, Receivables, submitted for returned checks for fiscal year 2012-2013 disclosed that DMV understated the receivable amount by \$849,880, and overstated receivables estimated to be uncollectible by \$304,815.

Effect: The receivables information DMV submitted to the State Comptroller 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 8.)

Agency Response: "The agency agrees. Corrections were made in the following fiscal year and reported correctly thereafter. Additional levels of review have been initiated to ensure proper completion of all GAAP forms."

Emissions Testing Revenue Discrepancies

Background: The Department of Motor Vehicles (DMV) utilizes 2 third-party vendors to furnish emissions testing to state residents. One vendor provides the Emissions Database Management System (EDBMS) and charges the state on a per test basis. Another, the emissions test vendor, oversees the emissions tests, test centers, and fee collections.

DMV receives 2 types of deposits from the emissions test vendor. The first is a payment recorded as revenue from a fixed portion of each collected test fee. The other payment is to reimburse the costs charged to DMV by the EDBMS vendor. Both deposits are calculated based on a fixed amount per test multiplied by the number of tests completed each month.

DMV also receives an invoice from the EDBMS vendor for a fixed fee per test multiplied by the number of tests completed each month.

Criteria: DMV is responsible for ensuring that invoices from the emissions test and EDBMS vendor include both the correct fixed amount per test and the correct number of tests before issuing payment to the EDBMS vendor or accepting the deposits from the emissions test vendor.

The emissions test vendor contract specifies the maximum reimbursement eligible to DMV for costs charged to DMV by the EDBMS vendor. When the costs charged by the EDBMS vendor do not match the reimbursement collected from the emissions test vendor, DMV must notify the emissions test vendor of the discrepancy.

Condition: Our testing of 6 emissions test vendor deposits and EDBMS vendor payments identified the following conditions:

- For 2 of the 6 selections, the number of tests reported by the emissions test vendor for deposits did not match the number of tests reported by the EDBMS vendor for payment. We performed analytical procedures to determine whether other discrepancies existed and identified that the EDBMS vendor reported approximately 9,594 more tests than the emissions test vendor. We estimated that DMV either overpaid the EDBMS vendor \$6,597 or failed to collect deposits for reimbursements and revenue sharing from the emissions test vendor totaling \$21,612. When asked, DMV was unable to determine whether it had overpaid the EDBMS vendor or had not collected the entire amount of reimbursement and revenue it was owed by the emissions test vendor.

- For the same 2 selections, the emissions test vendor deposits to reimburse DMV for EDBMS vendor fees were in excess of the fees charged by the EDBMS vendor. We performed analytical procedures to determine the extent of the excess reimbursements and identified approximately 546,211 tests for which DMV accepted excess reimbursement. We estimated that DMV recorded approximately \$28,621 as revenue in excess reimbursements. DMV was aware of the discrepancy between the EDBMS fee and the amount of reimbursement paid by the emissions test vendor, but was unable to produce evidence that it notified the emissions test vendor of the ongoing discrepancy. DMV was unable to provide a rationale for keeping the excess reimbursement.

Effect: DMV overpaid a vendor or did not collect revenue and cost reimbursements it was due. Without a means of independently verifying the EDBMS vendor and emissions test vendor test counts, DMV may overpay the EDBMS vendor or not collect revenue and reimbursements from the emissions test vendor again in the future.

DMV recorded deposits it did not have a right to recognize as revenue without first notifying the emissions test vendor of the discrepancy.

Cause: A weakness in internal controls resulted in DMV processing the EDBMS vendor invoice payment and the emissions test vendor deposits without comparing them to each other or to a separate information source that could support the total test counts included on each invoice.

It is unknown why DMV did not abide by the terms of the contract with the emissions test vendor. The process by which DMV recorded revenue indicated that the department was aware that the discrepancy existed between the costs charged by the EDBMS vendor and the reimbursements paid by the emissions test vendor. When we inquired, DMV did not provide a rationale for not notifying the emissions test vendor of the discrepancy in the reimbursements.

Recommendation: The Department of Motor Vehicles should develop the necessary internal controls to ensure that the emissions test counts reported by the Emissions Database Management System vendor and the emissions test vendor are consistent, accurate, and complete.

The department should also determine the cause for its failure to abide by the emissions test vendor contract and implement measures to ensure future compliance. (See Recommendation 9.)

Agency Response: “The agency disagrees with this finding. After a thorough review of this process, and analyzing the audit sample, the agency could not come to the same conclusions reached in this audit finding. The agency did find that the EDBMS vendor was overpaid. However, this discrepancy was miniscule and equated to only two (2) tests overpaid for a total of \$1.00. Based on this review, we did not find that revenues were under/overbilled within the range of the estimated discrepancy amounts reported.

The agency had received payment based on the existing contract at that time. Any discrepancy identified by the vendor, or the agency, would have been addressed and resolved accordingly. In addition, the vendor did not identify an overpayment, nor request a refund of overpayments.

As of December 1, 2015, there is only one vendor handling EDBMS. This contract is more straightforward, with fixed rates based on the volume of tests completed. The agency has begun to implement a more robust reconciliation process to ensure the amounts reported from the emissions system match the amounts that we have been paid for, and documentation is filed to support this.”

Auditors’ Concluding Comments:

In its response, the agency asserts that any discrepancy in payments would have been addressed and resolved. However, during our examination, we did not identify the existence of controls that would prevent, detect, or correct such errors.

For the documented overpayments by the emissions test vendor, the agency provided no evidence that DMV notified the vendor of the overpayments or returned the overpayments. When our auditors identified the errors, agency personnel stated that they would not return the overpayments.

Enforcement Actions for Dishonored Payments

Criteria: Section 14-50b(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 DMV shall pay a restoration fee of \$175 to DMV prior to the issuance or restoration of the registration or the restoration of the right of operation. The restoration fee shall be in addition to any other fees provided by law.

Section 14-50(f) of the General Statutes states that in the event of a rejected or dishonored payment, DMV shall charge a fee of \$35 for a payment amount of not more than \$200, and a fee of 15% of any payment in excess of \$200 plus all protest fees or charges to cover collection.

Section 14-111 of the General Statutes authorizes DMV to revoke or suspend operator licenses or vehicle registrations for any cause deemed sufficient.

Condition: Prior to the August 2015 implementation of the Connecticut Integrated Vehicle and Licensing System (CIVLS), when customer payments for licenses or registrations were rejected or dishonored, DMV would invoice the customer for the amount of the dishonored payment, a \$35 or 15% fee, and the costs of any protest charges. A failure by the customer to pay the invoice by the due date would result in the revocation or suspension of the operator license or vehicle registration. Registrations and operator licenses that are revoked or suspended are subject to a \$175 restatement fee.

Our review disclosed that since the implementation of CIVLS, DMV stopped revoking registrations that were renewed or issued with dishonored payments.

Effect: In the absence of enforcement action, customers with rejected or dishonored payments may continue to conduct business with DMV and continue to operate a registered vehicle without a paid registration.

In addition, the department does not recover the costs of collection efforts. This includes the \$35 or 15% fee and any protest charges (e.g. returned check fees) that the state must pay as a result of the dishonored payment.

Also, the department is not collecting the \$175 reinstatement fee charged on revoked or suspended registrations.

Cause: DMV made a management decision to suspend the policy of revoking registrations because of concerns related to the quality of registration data that was migrated from the prior mainframe system into CIVLS. After the registration data in CIVLS underwent a period of stabilization, DMV did not resume the revocation of registrations for dishonored payments.

Recommendation: The Department of Motor Vehicles should resume the practice of revoking registrations for dishonored payments and collect all available fees to cover the costs of collections as well as the additional revenue resulting from restatement fees. (See Recommendation 10.)

Agency Response: “The agency disagrees with the recommendation for the audited period covering FY 2013 through FY 2015. Prior to August 2015, the Department of Motor Vehicles revoked or suspended registrations obtained via dishonored payment, subsequently collecting all applicable fees, including reinstatement fees and collection costs. Please note, the

findings contained therein are based on the CIVLS system implementation in August of 2015, which was after the audited period.

As a result of recent improvements in the quality of registration data, and system stability, DMV is now in the process of reinstating suspension and revocation of registrations due to dishonored payments.”

*Auditors’ Concluding
Comments:*

In order to provide timely and useful oversight and accountability for stakeholders, it is necessary for auditors to consider the current internal controls rather than prior internal controls in significant areas in which changes in internal controls would render audit recommendations moot. As CIVLS replaced the legacy registration system, we included a review of the current internal controls related to the revocation or registrations for dishonored payments. This review identified DMV noncompliance, which our office is obligated to report, regardless of the planned scope of work.

Untimely 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 Office of the State Treasurer.

Condition: During the prior and current audits, the DMV Special Interest Plate Unit informed us that some of its revenues were not deposited within 24 hours and it did not receive a special exemption from the Office of the State Treasurer.

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: According to the department, there is a large volume of work processed in the Special Interest Plate Unit and it is not always possible to deposit checks 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 11.)

Agency Response: “The agency agrees. A pilot currently in process will be expanded to include the Special Interest Plate Unit to address the 24-hour deposit statute. The pilot is a refinement of the Central Intake and Central Cashiering processes, which had been delayed due to budget constraints.

Central Intake is conducted by the Mailroom utilizing programmable mail sorter equipment recently installed to open and sort mail by department/functional areas, and separate mail with checks to be processed by Central Cashiering on the same day. Central Cashiering will cashier and deposit funds received in the mail for same day deposits.”

Dealer Online Registration System Improperities

Criteria: The department’s policies and procedures manual for online dealers states that, before a dealer can become an online dealer agent, certain documentation must be completed and be on file with DMV.

Section 14-63-32 of the Regulations of Connecticut State Agencies states that each dealer issuing a registration for a passenger motor vehicle or motorcycle shall submit to DMV an application together with all necessary documents and fees for the registration and title of such vehicle or motorcycle within 5 days of the issuance of such registration.

Condition: Our review of 10 online dealer files revealed the following:

- In 3 cases, dealers were established online before they submitted a complete application packet to DMV.
- None of the 10 online dealers submitted documentation to issue a registration within the 5 days established by the regulations. However, it should be noted that the department follows up with dealers who fail to timely submit documents.

Effect: There is a risk that DMV may have registered unqualified online dealer agents.

Cause: DMV informed us that in 2 cases, the previous employee who processed documentation for online dealer agents did not obtain the missing documents, and in 1 case, management instructed the current employee who processes the dealers to establish a dealer on CIVLS even though all required documentation was not submitted.

Additionally, DMV does not enforce the regulations requiring online dealer agents to submit documentation with 5 days.

Recommendation: The Department of Motor Vehicles should ensure that dealers submit a complete application packet before they are established as online dealer agents. Additionally, the department should enforce the 5-day limit for the submission of required documents and fees. (See Recommendation 12.)

Agency Response: “The agency agrees. We have received the records which were reviewed by the audit team and have found that in 2 of the 3 samples nothing appears to be missing; however, the last sample was missing a letter of intent. With the introduction of CIVLS there are several procedural changes that have been introduced which should eliminate any dealer from becoming an on-line dealer without the necessary paperwork. With regard to the five-day submission of the required paperwork, we conducted an internal review which indicates that the majority of dealers are submitting their paperwork within the five-day timeframe. However, we believe this regulation should be adjusted with a new timeframe of thirty days to submit the required paperwork. The original timeframe was due to the agency receiving checks that needed to be deposited timely. With the introduction of CIVLS, payment is received electronically, and therefore a five-day timeframe is no longer needed. We will work with the Legal Division to adjust the regulation.”

Auditors’ Concluding Comments:

At the time of our review, DMV acknowledged that the 3 dealers did not submit complete application packages. For 2 of the dealers, no letter of intent was on file, and several documents were missing for the other dealer.

Outdated Per Se Hearing and Lack of Driver Education Unit 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 accordingly.

Condition: We found that the DMV Per Se Hearing Procedures Manual was outdated. The manual has not been updated since October 2008.

In addition, the DMV Driver Education Unit (DEU) lacks formal written procedures that would provide guidance to employees responsible for processing DEU related transactions.

Effect: The ability to train employees, as well as the effectiveness and efficiency of the DMV Per Se Hearing Unit and the Driver Education Unit may be diminished.

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

The DEU staff indicated that they realize the importance of written procedures, but a lack of resources prevents the creation of the procedures at this point.

Recommendation: The Department of Motor Vehicles should improve its internal controls by updating and maintaining its formal, comprehensive written procedures related to its per se hearing process. DMV also should develop formal written procedures to provide guidance to employees responsible for processing Driver Education Unit transactions. (See Recommendation 13.)

Agency Response: “The Department of Motor Vehicles, Per Se Hearing Unit, agrees with the audit finding; however, the condition noted has been recently resolved. As a critical component of the transition to new management (and in preparation of a continuous improvement, Kaizen/Lean event in June of 2017), the Per Se Hearing Unit’s procedures manual has been updated. This comprehensive, updated manual has been distributed to employees. This manual and any other formal written procedures will be maintained, continuously updated (as needed) and disseminated to employees. Further, new management has instituted weekly staff meetings and ensures any new procedures discussed are memorialized in writing.

The Department of Motor Vehicles, Driver Education Unit, agrees in part with the audit findings. There are written procedures for certain tasks within the unit. However, we will ensure procedures exist for all unit functions and will combine the written procedures into a user manual form.”

Lack of General Controls for Information Technology (IT) Systems

Criteria: General controls are policies and procedures that, on an entity-wide basis, relate to many applications and support the effective functioning of application controls. General controls ordinarily include controls related to: IT strategic planning and risk management; data center and network operations; physical security and access to programs and data; and program changes and systems acquisition and development.

Condition: DMV was not able to provide documentation supporting the design, implementation, or effective operation of entity-wide policies and procedures that support the effective functioning of application controls.

- Effect:* In the absence of entity-wide general controls, application controls may not be effective at ensuring that transactions processed by DMV are initiated, authorized, recorded, processed, and reported as intended.
- Cause:* Prior to the implementation of CIVLS, vendors managed most complex applications at DMV, such as the insurance compliance system. Following the implementation of CIVLS, DMV utilized internal resources to address CIVLS-related implementation problems.
- Recommendation:* The Department of Motor Vehicles should develop, implement, and test the necessary entity-wide general controls to reduce the risk that application controls could be circumvented or modified. DMV would thereby safeguard against the improper initiation, authorization, recording, processing, or reporting of related transactions. (See Recommendation 14)
- Agency Response:* “The agency agrees. The department has incorporated an IT Governance Council to review, approve, and prioritize various IT projects. This would include the following IT areas mentioned above: IT strategic planning and risk management; data center and network operations; physical security and access to programs and data; and program changes and systems acquisition and development. A review of policy and procedure related to these areas will be addressed through the IT Governance Council.”

Ineffective Controls over Issuance of Placards and Special License Plates to Blind and Disabled Persons

- Background:* DMV issued special license plates to blind and disabled persons prior to October 1, 2011. No new special license plates were issued after October 1, 2011, except for motorcycles. Instead, the department now issues temporary and permanent placards based on valid motor vehicle operator’s licenses or identification cards. The temporary placards are valid for 6 months or less and the permanent placards are valid for a maximum of 6 years or until the operator’s license expires. The special license plate information is under the department’s registration system, while the placard information is under the licensing system. Currently, there are a total of 5,452 special license plates, of which 5,162 are for motor vehicles and 290 are for motorcycles.
- Criteria:* Section 14-253a (b) of the General Statutes states that on and after October 1, 2011, DMV shall not accept applications for special license plates, but shall accept renewal applications for such plates that were issued prior to October 1, 2011, except for motorcycles. No person shall be issued a placard unless such person is the holder of a valid motor

vehicle operator's license or identification card. The commissioner is authorized to adopt regulations for the issuance of placards to persons who, by reason of hardship, do not hold or cannot obtain an operator's license or identification card. DMV shall maintain a record of each placard issued to any such person. Such applications and renewal applications shall be on a form prescribed by DMV. In the case of persons with disabilities, the application and renewal application shall include certification by a licensed physician, a physician assistant, or an advanced practice registered nurse. In the case of persons who are blind, the application or renewal application shall include certification of legal blindness made by the Department of Rehabilitation Services, an ophthalmologist or an optometrist. Any person who makes a certification required by this subsection shall sign the application or renewal application under penalty of false statement.

Good business practice requires that internal controls should be in place to review application information to ensure that applicants provide valid certifications as required by listed licensed medical professionals. Good business practice also requires that the department should set an expiration date for special license plate renewals and should cancel a plate when such a holder dies.

Condition:

Our review of the department's process for issuance of placards and special license plates revealed the following:

- The department does not have a procedure in place to verify whether the certification provided on the placard application is valid.
- The department does not verify whether an individual renewing a registration is still qualified to obtain a special license plate.
- The department matches the Department of Public Health deceased file with the department's licensing system, but not with the registration system. In addition, the department's online renewal registration does not require license information. Therefore, a special license plate would remain valid even after the plate holder dies.
- It may be possible for a person to obtain a valid placard and a special license plate since applications are processed in 2 different systems (the placard in the licensing system and the special license plate in the registration system). DMV does not cross match this information between the systems.

Effect: Without proper verification of whether an individual is qualified for a special license or placard, there is an increased risk that people without disabilities may obtain placards and special license plates.

Cause: It appears that the department has not established sufficient internal controls to ensure the proper issuance and management of placards and special license plates.

Recommendation: The Department of Motor Vehicles should establish procedures to ensure the proper issuance and management of placards and special license plates. (See Recommendation 15.)

Agency Response: “The agency agrees and will review the process of ensuring the information on the request forms is complete and accurate. In addition, we will continue to rely on the penalty of false statement which states “*the information provided to the Commissioner of Motor Vehicles herein is subscribed by me, the undersigned, under penalty of false statement, in accordance with the provisions of Section 14-110 and 53a-157b of the Connecticut General Statutes. I understand that if I make a statement which I do not believe to be true with the intent to mislead the Commissioner, I will be subject to prosecution under the above-cited laws.*”

The agency agrees with regard to the remaining 5,162 license plates for the disabled. The department will work with our IT Department to begin to utilize the deceased file received from the Department of Public Health, and on a periodic basis ascertain what registrants are no longer entitled to a handicap plate. We will then develop procedures regarding the revocation of said registration.”

Lack of Procedures to Prevent License Issuance to Sales Tax Delinquent Dealers and Repairers

Criteria: Section 14-52a (b) of the General Statutes states that DMV should not, after notice and hearing, grant or renew a motor vehicle dealer or repairer license to an applicant or licensee that is delinquent in the payment of sales tax in connection with a business that is or was obligated to remit sales tax.

Condition: Our review of the department’s procedures to ensure that dealers or repairers are not delinquent in sales tax payments prior to granting or renewing their licenses revealed the following:

- The department does not have procedures in place to verify whether new applicants are delinquent before granting a new dealer or repairer license.
- The department renewed dealer and repairer licenses without verifying whether they were delinquent in sales tax.
- Our audit also disclosed that DMV did not verify delinquencies in the payment of sales tax for renewal of dealer and repairer licenses until December 2015 for licenses expired in January, 2016. The verification process should have started in July 2014, the effective date of Section 14-52a (b) of the General Statutes. Additionally, the department did not further clarify questionable licensed dealership information with the Department of Revenue Services (DRS), which may have resulted in the payment of delinquent sales taxes.

Effect: There is a risk that the department could have issued or renewed licenses for dealers and repairers who owed delinquent taxes.

Cause: The department did not implement the verification process required by the statute on its effective date. In addition, the department did not establish procedures to coordinate effectively with DRS.

The department indicated that DRS had access to the DMV database for some time and it should not have been difficult for DRS to identify the dealers and repairers who owed taxes.

Recommendation: The Department of Motor Vehicles should have implemented the verification process required by Section 14-52a (b) of the General Statutes on its effective date. DMV should appropriately coordinate with the Department of Revenue Services to ensure the collection of delinquent sales taxes. (See Recommendation 16.)

Agency Response: “The agency agrees. DRS did not begin reporting to DMV until December 2015. Since then, DMV sends a renewal file to DRS and they inform us of sales tax delinquencies. DMV then sends a letter by certified mail to these licensees notifying them of their delinquent sales tax and the hearing process. There is no evidence that any license was issued after an applicant was reported to us as delinquent by DRS. The statute requires DRS to report to DMV. Also, no licenses were renewed after being reported by DRS as delinquent. DMV is creating a form for new applicants to use that will better assist DRS with verifying sales tax issues for new licensees. Most new applicants have no prior sales tax history so there would be no check possible.”

Lack of Disaster Recovery Planning

- Criteria:* Sound business practices include provisions that organizations have a current IT disaster recovery plan in place to enable the resumption of critical operations within a reasonable period after a disaster.
- Condition:* Our prior audits noted that the department had business contingency procedures in place in the event of a calamity. However, an updated disaster recovery plan for data processing applications was omitted from those procedures. DMV did not have formal arrangements in place to allow for hot site/cold site utilization of its midrange applications housed within DMV facilities. With respect to the DMV major application housed within the Department of Administrative Services 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 stipulate DMV-specific responsibilities. These conditions persisted during the current audited period.
- 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:* The department devoted its resources to a CIVLS modernization project and neglected the creation of a current disaster recovery plan.
- Recommendation:* The Department of Motor Vehicles should create a comprehensive disaster recovery plan that covers information technology-related activities of the entire agency and periodically perform testing of that plan. (See Recommendation 17.)
- Agency Response:* “The agency agrees. A disaster recovery plan is a component of the service level agreement (SLA) that is currently being finalized between the agency and BEST.”

CIVLS Modernization of Licensing

- Background:* The Department of Motor Vehicles contracted with Science Applications International Corporation (SAIC) in 2009 to develop the Connecticut Integrated Vehicle and Licensing System (CIVLS). SAIC later assigned the contract to 3M, who completed the work on the contract. The funding for the contract was part of the larger project to modernize the department’s information technology systems and administrative processes.

Criteria: Good business practices suggest that project management should define business requirements adequately and plan projects accordingly before entering into a contract.

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

The Project Implementation Schedule included in the original contract identified scheduled release dates of June 2010 for Release 1 and January 2011 for Release 2. For Release 3, the scheduled start of work was June 2010 and the scheduled completion date was October 2011.

Condition: The initial CIVLS contract included 3 major deliverable releases. DMV implemented the first release of the project for dealers and repairers in 2012 and implemented the second release for registration in 2015. DMV has not completely implemented the third and final release for licensing. The department terminated its contract in early 2016. DMV did not meet the planned implementation dates.

To date, DMV has not firmly decided whether it will continue to rely temporarily or permanently on the preexisting mainframe system.

Effect: The department did not achieve its goal of completely modernizing the licensing system, and the state continues to rely on the preexisting mainframe system. As a result of delays in modernizing the licensing system, DMV expended approximately \$2,645,000 in federal grant dollars on the preexisting system to comply with the federal mandates of the REAL ID program, rather than funding changes to a modernized CIVLS licensing system.

The work to comply with the REAL ID program has made modernization efforts of the licensing system more expensive and will require the use of state funds. If DMV implemented CIVLS on time, the state may have avoided the additional cost of compliance with REAL ID.

It is not clear whether modernizing the licensing system will need additional funding for its completion. It is expected that in the foreseeable future, the costs to replace the aging mainframe system and the incremental cost of complying with REAL ID are unavoidable.

Cause: The department did not utilize professional project management services during the initial stages of the CIVLS project. In addition, there were numerous disagreements between 3M and the department related to changes in the scope of the project. Also, the implementation of Release

2 was less than successful. As a result, the department decided to terminate its contract with 3M.

Recommendation: The Department of Motor Vehicles should identify the weaknesses in its process that resulted in the delays in implementing the modernization project and correct the deficiencies in the process. The department should also develop a solution for modernizing the licensing system that meets the long-term needs of the state, but stays within the established budget of the modernization project despite the expansion in scope related to the REAL ID program. (See Recommendation 18.)

Agency Response: “The Agency agrees the CIVLS Modernization project would have benefited from professional project management. As a result of the “lessons learned” from CIVLS, DMV reorganized in early 2016 to establish a Project Management Office, which provides professional project management services for major projects, such as the recent conversion from providing credentials to customers over-the-counter to central issuance of all credentials via mail from a secure facility. That large-scale project was prudently planned and carefully implemented with a phased in roll-out over several weeks to all DMV branches and AAA locations without any major issues, proving this approach can be very successful.

The Modernization contract was signed in December 2009. CT DMV Real ID compliance started in 2005. By 2009, Real ID changes had already been made to mainframe. The Modernized licensing system was to be compliant with Real ID and FMCSA (CDL). Prior to implementation, analysis revealed the Modernized system did not comply with either Real ID or FMCSA. As a result, the Agency prudently decided not to implement or pay for that portion of the software.

Connecticut benefited from early Real ID compliance: (i) being one of few federal grant recipients - which investments continue to benefit the State (ii) avoiding costs and time-pressures experienced by states that continue to struggle to achieve compliance by 2020 (iii) avoiding TSA rejection of CTDMV identification for domestic travel. Similarly, failure to comply with FMCSA mandates would have resulted in an annual loss of \$22 million in Federal Highway funds.

DMV recently acquired control of the CIVLS code, allowing DMV IT staff to develop full competency with the product. Integrated with this effort is a managerial focus on the goal of a strategic solution to maintain accurate customer data across both platforms to ensure seamless customer service, all within the established budget of the Modernization Project.”

RECOMMENDATIONS

Our prior audit report on the Department of Motor Vehicles, for the fiscal years ended June 30, 2011 and 2012, contained a total of 20 recommendations. Of those recommendations, 9 have been implemented, resolved, or not repeated.

Status of Prior Audit Recommendations:

- ***The Department of Motor Vehicles should maintain its inventory according to the State Property Control Manual and consider utilizing asset inventory barcode scanners.*** This recommendation has been modified to reflect current conditions. (See Recommendation 1.)
- ***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.*** Our audit disclosed that a new telephone billing and management system was implemented. This recommendation will not be repeated.
- ***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.*** This recommendation will be modified to reflect the current condition. (See Recommendation 2.)
- ***The Department of Motor Vehicles should ensure that annual performance evaluations are performed on its managerial employees.*** This recommendation will be repeated. (See Recommendation 3.)
- ***The Department of Motor Vehicles should ensure that the hours worked by managers are in compliance with the DAS Manager's Guide.*** Our current audit disclosed that the department has improved its process related to the hours worked by managers. This recommendation will not be repeated.
- ***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.*** This recommendation will be repeated. (See recommendation 5.)
- ***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.*** This recommendation will be repeated. (See Recommendation 6.)
- ***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.*** Our current audit disclosed that the department implemented a system in order to be in

compliance with relevant statutory timeframes and to enhance the compliance of offending vehicles. This recommendation will not be repeated.

- ***The Department of Motor Vehicles should ensure that the GAAP forms submitted to the State Comptroller are prepared accurately.*** This finding will be repeated. (See Recommendation 8.)
- ***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.*** Our audit disclosed that there has been significant improvement in the department's bank reconciliation process. This recommendation will not be repeated.
- ***The Department of Motor Vehicles should properly maintain its receivables in accordance with the State Accounting Manual.*** This finding is being modified to reflect current conditions. (See Recommendation 10.)
- ***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.*** The department's computer system (CIVLS) provides the correct fee to be charged for a transaction and the system also alerts an examiner as to the proper documentation to be collected before credentials are issued. This recommendation will not be repeated.
- ***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.*** This recommendation will be repeated. (See recommendation 11.)
- ***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.*** The department's computer system (CIVLS) has the ability to generate accountability reports. 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. The department should also restore commercial vehicle registrations in accordance with Section 14-50b of the General Statutes.*** The department has a new system in place that monitors owners of commercial vehicles for compliance with insurance and security requirements. This recommendation will not be repeated.
- ***The Department of Motor Vehicles should properly verify the accuracy of its information before including it in a report.*** Our current audit disclosed that the department has

improved its process used to gather information included in the report. This recommendation will not be repeated.

- ***The Department of Motor Vehicles should improve its internal controls by updating and maintaining its formal, comprehensive written procedures related to its registration process.*** This finding is being modified to reflect current conditions. (See recommendation 13.)
- ***The Department of Motor Vehicles should consider implementing security cameras in all its branches.*** The current audit disclosed that the department implemented security cameras in the majority of its branches. This recommendation will not be repeated.
- ***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.*** This recommendation will be repeated. (See recommendation 17.)
- ***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 to avoid additional costs and issues in carrying out the project.*** This recommendation will be repeated to reflect current conditions. (See recommendation 18.)

Current Audit Recommendations:

- 1. The Department of Motor Vehicles should revise its asset capitalization procedures to ensure that capital assets are recorded at actual cost. In addition, the department should improve internal controls over asset management, including implementation of asset inventory barcode scanners, to ensure that assets are properly recorded, maintained, and safeguarded in accordance with the State Property Control Manual.**

Comment:

Our review of DMV inventory records revealed that the department incorrectly categorized a software expenditure that was capitalized as office equipment, and an instance in which there was no evidence that an asset was properly disposed of.

DMV did not include an explanation as to why the values recorded on the CO-59 differed from values recorded in Core-CT in its submission of the fiscal year 2014-2015 CO-59. Furthermore, the department is not using barcode scanners to conduct its physical inventory, although the department's response to the prior audit finding expressed the intention to implement scanners into the asset management procedures.

- 2. The Department of Motor Vehicles Human Resources Unit should include documentation in its investigation case files to substantiate its review and resolution of the investigation.**

Comment:

Our review disclosed that 4 out of 16 investigation case files selected lacked documented evidence to support the human resources review and resolution of the investigation. Also, DMV could not find the case file for 1 investigation.

- 3. The Department of Motor Vehicles Human Resources Unit should ensure that it performs annual performance evaluations for all of its managerial employees.**

Comment:

Our review of 15 managerial employee personnel files during the audited period disclosed that an annual performance evaluation was not on file for 3 employees in both fiscal years 2014 and 2015.

- 4. The Department of Motor Vehicles should ensure that the Leave in Lieu of Accrual time reporting code is properly used, reported, and adjusted in accordance with established criteria.**

Comment:

Our review revealed that in 7 cases, LILA was used but not adjusted to reflect the actual leave used. In 9 cases, an override reason code was not used to identify the type of leave LILA was used for.

- 5. 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 4 employees with dual employment arrangements did not always have a dual employment form on file.

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

Comment:

Our review of access to the Core-CT system for 27 terminated employees disclosed that the department did not immediately deactivate access to the system for all 27 terminated employees.

- 7. The Department of Motor Vehicles should establish written procedures for issuing licenses to driving instructors and driving schools to comply with state laws and regulations. In addition, the department should strengthen internal controls and administrative oversight to ensure the safety of students.**

Comment:

DMV does not have proper controls in place regarding the maintenance of driving school instructors and driving school licensing records.

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

Comment:

Our review of GAAP Form No. 2, Receivables, submitted for returned checks for fiscal year 2013 disclosed that DMV understated the receivable amount by \$849,880, and overstated receivables estimated to be uncollectible by \$304,815.

9. **The Department of Motor Vehicles should develop the necessary internal controls to ensure that the emissions test counts reported by the Emissions Database Management System vendor and the emissions test vendor are consistent, accurate, and complete.**

The department should also determine the cause for its failure to abide by the emissions test vendor contract and implement measures to ensure future compliance.

Comment:

We identified discrepancies between the number of emissions tests reported by the EDBMS vendor and the emissions test vendor.

10. **The Department of Motor Vehicles should resume the practice of revoking registrations for dishonored payments and collect all available fees to cover the costs of collections as well as the additional revenue resulting from reinstatement fees.**

Comment:

Our review disclosed that since the August 2015 implementation of CIVLS, DMV stopped revoking registrations that were renewed or issued with dishonored payments. As a result, fees associated with the payments were not collected.

11. **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:

During the prior and current audit, the DMV Special Interest Plate Unit informed us that some of its revenues were not deposited within 24 hours and it did not receive a special exemption from the Office of the State Treasurer.

12. **The Department of Motor Vehicles should ensure that dealers submit a complete application packet before they are established as online dealer agents. Additionally, the department should enforce the 5-day limit for the submission of required documents and fees.**

Comment:

Our review of 10 online dealers revealed that in 3 cases, the dealers were established online before they submitted a complete application packet. Also, none of the 10 online dealers submitted motor vehicle registration documentation within the 5 days required by regulations.

- 13. The Department of Motor Vehicles should improve its internal controls by updating and maintaining its formal, comprehensive written procedures related to its per se hearing process. DMV also should develop formal written procedures to provide guidance to employees responsible for processing Driver Education Unit transactions.**

Comment:

We found that the DMV Per Se Hearing Procedures Manual was outdated. The manual has not been updated since October 2008. In addition, the Driver Education Unit (DEU) lacks formal written procedures, which provide guidance to employees responsible for processing DEU related transactions.

- 14. The Department of Motor Vehicles should develop, implement, and test the necessary entity-wide general controls to reduce the risk that application controls could be circumvented or modified. DMV would thereby safeguard against the improper initiation, authorization, recording, processing, or reporting of related transactions.**

Comment:

DMV was not able to provide documentation supporting the design, implementation, or effective operation of entity-wide policies and procedures that support the effective functioning of application controls.

- 15. The Department of Motor Vehicles should establish procedures to ensure the proper issuance and management of placards and special license plates for blind and disabled persons.**

Comment:

DMV lacks controls to ensure the proper issuance and management of placards and special license plates for persons with disabilities.

- 16. The Department of Motor Vehicles should have implemented the verification process required by Section 14-52a (b) of the General Statutes on its effective date. DMV should appropriately coordinate with the Department of Revenue Services to ensure the collection of delinquent sales taxes.**

Comment:

DMV lacks controls to ensure that dealers or repairers are not delinquent in the payment of sales taxes prior to granting or renewing their licenses.

- 17. The Department of Motor Vehicles should create a comprehensive disaster recovery plan that covers information technology-related activities of the entire agency and periodically perform testing of that plan.**

Comment:

DMV lacks a current comprehensive disaster recovery plan.

- 18. The Department of Motor Vehicles should identify the weaknesses in its process that resulted in the delays in implementing the modernization project and correct the deficiencies in the process. The department should also develop a solution for modernizing the licensing system that meets the long-term needs of the state, but stays within the established budget of the modernization project despite the expansion in scope related to the REAL ID program.**

Comment:

The initial CIVLS contract included 3 major deliverable releases. DMV implemented the first release of the project for dealers and repairers in 2012 and implemented the second release for registration in 2015. DMV has not completely implemented the third and final release for licensing. The department terminated its contract in early 2016. DMV did not meet the planned implementation dates.

ACKNOWLEDGEMENT

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

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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.



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Principal Auditor

Approved:



John C. Geragosian
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Robert J. Kane
State Auditor