



**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

**Motor Vehicle Commission
Revenue**

July 1, 2011 to August 31, 2014

**Stephen M. Eells
State Auditor**

LEGISLATIVE SERVICES COMMISSION

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Enclosed is our report on the audit of the Motor Vehicle Commission, Revenue for the period of July 1, 2011 to August 31, 2014. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "S. Eells".

Stephen M. Eells
State Auditor
December 22, 2014

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Scope

We have completed an audit of the Motor Vehicle Commission (MVC) Revenue for the period July 1, 2011 to August 31, 2014. The primary responsibility of the MVC is to promote motor vehicle safety for New Jersey citizens by delivering secure, effective, and professional motor vehicle services. Our audit included revenues collected within the MVC's physical headquarters; this did not include agency-level transactions, electronic transactions, or transactions received initially by another government entity. Revenues reported at MVC's headquarters were approximately \$141 million, \$129 million, and \$128 million for fiscal years 2012, 2013, and 2014, respectively.

Our audit also included an evaluation of select general controls related to the MVC's abstract retrieval system encompassing security management, logical access, and change management and of business process controls over the internal accounting system. The MVC's internal accounting system is a comprehensive system that records MVC revenues from all locations in accordance with governing statutes and interfaces with the state's accounting system. Total annual revenue reported to the state for all MVC activity was approximately \$1.1 billion during fiscal years 2012 through 2014.

An update of our prior audit report finding regarding the MVC's information technology project, MATRX, is included in this report.

Objectives

The objectives of our audit were to determine whether revenue transactions were in compliance with applicable statutes, administrative code, Department of the Treasury circular letters, and internal policies and were recorded properly in the accounting systems. Additional objectives were to determine the adequacy of select general controls over the abstract retrieval system including policies and procedures to manage and maintain the system, and user authentication to provide system security, and to evaluate the business process controls over the revenue data processed through the MVC accounting system. We also updated the status of the MVC's information technology overhaul project, referred to as MATRX.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circular letters promulgated by the Department of the Treasury, and policies of the commission. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing of financial transactions. We also read the budget messages, reviewed financial trends, and interviewed commission personnel to obtain an understanding of the programs and the internal controls.

A non-statistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions on our audit objectives as well as internal controls and compliance. Sample populations were sorted and transactions were judgmentally selected for testing.

Conclusions

We found revenue transactions were in compliance with statutes and were recorded properly in the accounting systems. However, we found instances of non-compliance with administrative code, Department of the Treasury circular letters, and internal policies. We found the select general controls, the policies and procedures to manage and maintain the system, and user authentication to provide system security to be less than adequate with regard to the abstract retrieval system. We found the business process controls over the MVC accounting system to be adequate. We also found that the MVC MATRX project has been suspended and that a completion date cannot be determined at this time.

In addition, we have found that the MVC's Financial Management division has not provided adequate direction to the numerous units within their headquarters which collect revenue. As a result, there are weak internal controls over the collection, recording, and depositing of revenue at MVC headquarters. Collection duties throughout the headquarters are not properly segregated which has created the potential for internal fraud to be perpetrated. The Financial Management division is strained from the reduction of staff due to retirements or other voluntary terminations. The revenue section in particular is currently operated by staff who have limited knowledge of the functionality of the accounting system and who do not have a thorough grasp of the various businesses conducted within the headquarters. It is imperative that those who oversee these collections be well versed in all underlying functions.

Division of Customer Information and Advocacy and Division of Compliance and Safety

Units that receive driver fee revenue should properly document collections and fully process receipts on the same day received.

The three MVC units responsible for collecting approximately \$1.3 million annually in driver fees did not maintain adequate documentation of daily collections to enable supervisors to review or reconcile revenue. This omission created a risk for fraud to occur at multiple stages. Personnel in each of the units update the driver record and post the fee to the Comprehensive (COMP) system. The Fee unit is responsible for preparing one daily deposit for all three units.

Two of the units do not initially document a receipt in any manner. The units open the mail, which include checks, update the COMP system, and fill out a Fee Collection Form. The checks and the forms then sit in a basket for a minimum of two days. The checks and the Fee Collection Forms are delivered to the Fee unit for deposit preparation. There is no documentation of the exchange of revenue from the two units to the Fee unit.

The Fee unit also processes its own mail. The unit opens mail, which includes checks, and documents the receipts on a cash log, although the log is not used to verify deposits. The driver record is updated in the COMP system and a Fee Collection Form is completed. This unit prepares a deposit based on all checks on hand at the end of a business day; the checks on hand most often represent numerous business days for all three units' activity. Because deposits prepared by the Fee unit include revenue collected by other units and postings for numerous days, it is not possible to reconcile a day's receipts and COMP system postings to a deposit. There is a risk that any of the three units receive a driver fee payment, accurately post that payment to the COMP system to satisfy the customer, but then, intentionally or otherwise, fail to deposit those funds without detection.

Recommendation

Incompatible revenue collection duties should be properly segregated. Units that receive driver fees should log receipts before posting to the COMP system and prepare receipts for deposit on the same day as received. The receipt log should be reconciled to the deposits. The MVC should consider obtaining devices which would enable it to scan checks to a bank for deposit as soon as they are received.

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Business Licensing Services

The Business Licensing Services unit should utilize its tracking system to identify receipts and segregate incompatible revenue collection duties.

The Business Licensing Services (BLS) unit does not utilize its internally-developed tracking system to verify all receipts are deposited. The BLS unit sells various business licenses and collects associated application fees; it deposits approximately \$4.6 million annually.

The BLS unit collects a number of revenue categories that are not captured in MVC's COMP system, such as certain application fees. This unit developed a database to assist in tracking license applications and issuances. This database includes fields to record the date revenue was received at the unit and license revenue type and can be queried for daily fees received by category. To compensate for the lack of reporting in the COMP system, the unit relies on processor sheets that allow a supervisor to reconcile all daily unit receipts to deposits. However, we found that one person opens the mail without logging the application fee and forwards the fee and paperwork to an employee responsible for logging the receipt to the processor sheet and processing the customer's request.

We tested five deposits that included nine individual receipts totaling \$5,605 for items not captured on the COMP system and found none were supported by a processor's sheet. Had these items been posted to the database upon entry, total receipts could be reconciled to the deposit. We could not confirm that these were the only receipts expected for deposit on these days.

The lack of tracking and documentation creates a risk that the transactions could be processed without the respective fees being deposited.

Recommendation

The BLS unit should post receipts to the database, including those that are not captured on the COMP system, segregate the major steps in the collection process, and use the database to summarize daily receipts to support deposit preparation.



Division of Support Services

The revenue functions of this division should be properly segregated and controls should be added to address the lack of system reporting.

The Division of Support Services has not properly segregated the revenue collection function for dual registrations, road-crossing permits, and sample plates. In addition, these revenue categories are not recorded on any of MVC's systems, which reduces management's ability to verify total revenue received against deposits. For all these categories of revenue, one employee

is responsible for opening the mail, processing the request or registration, and preparing the deposit; the fees are not logged upon receipt. An adequate system of internal controls requires that these steps in the revenue collection process be segregated and the receipts be properly recorded. Without a cash log or system-generated summary of daily activity, we could not determine that deposits were made for each transaction processed.

Recommendation

The Division of Support Services should segregate incompatible revenue collection duties and implement a cash log or other means of documenting receipts to enhance controls over receipts that are not posted to a system capable of generating daily summary reports.



Untimely Deposits

The MVC should ensure that all units responsible for making deposits do so timely.

A number of units in the MVC headquarters responsible for the collection and deposit of various fees did not deposit receipts in a timely manner. Department of the Treasury Circular Letter 12-02-OMB requires state agencies to ensure that all funds are deposited the same day as received. Our sample tests of deposits found the following.

- The Fee unit is responsible for depositing driver-related fees totaling approximately \$1.2 million annually. We tested 74 receipts totaling \$8,000 and found that all were deposited at least eight days after receipt.
- The Business Licensing Services unit deposits approximately \$4.6 million annually. We tested ten receipts totaling \$2,187 and found that nine were deposited 3 to 54 days after receipt.
- The Division of Support Services deposits revenue including dual registrations, road-crossing permits, sample plates, and salvage titles. We tested 33 deposits for these categories totaling \$6,970 which represented over 1,000 MVC-issued documents or items. We found 30 deposits ranged from 6 to 47 days after the day of receipt. Several items took as long as 78 to 107 days to deposit.
- The Division of Inspection Services deposits approximately \$650,000 in commercial bus inspection fees annually. We tested 264 individual receipts totaling \$17,400 and found that 13 percent of them were deposited three or more days after receipt; these late deposits totaled \$2,255.

Timely deposits reduce the risk of revenue being lost or stolen.

Recommendation

The MVC should deposit all checks according to the guidelines established by the circular letter. In order to accomplish this, the MVC should consider obtaining devices which would enable it to scan checks to a bank for deposit as soon as they are received, thereby reducing the time that checks are held before being deposited and strengthening internal controls.

**Customer Abstract Information Retrieval**

The Customer Abstract Information Retrieval (CAIR) system is used to retrieve and sell information for a variety of reasons. This private information is protected under the federal and state Driver Privacy Protection Acts (DPPA). Access to this information is limited to customers who have contracted with the MVC CAIR unit after a stringent vetting process. When customers are granted access, they may be provided with individual logons for their multiple users, typically their employees, to access the records.

The CAIR unit needs to properly bill all customers requesting driver-related records in accordance with the administrative code.

Government Customers - Abstracts

The CAIR unit has overbilled its government customers by charging for abstracts. In 2004, the MVC updated the administrative code for fees to be charged to customers requesting a government record. The code states that a governmental agency is exempt from abstract transaction fees but not for transactions which include registration or title records. The fees to be charged for these types of records were to increase as follows: \$0.03 in 2005, \$0.04 in 2006, and \$0.05 in 2007 and forward. These fees represent the cost imposed on the MVC by New Jersey's Office of Information Technology (OIT) to produce the records for the customer.

All government CAIR customers sign a five-year contract which includes a \$150 annual fee. The CAIR unit applies the \$150 fee to the first 5,000 records obtained regardless of the type of record. However, this equates to only \$0.03 per transaction, which is the 2005 rate not the current \$0.05 rate. As a result, government customers are undercharged for those records that require a fee and incorrectly charged for abstracts which are exempt per the code.

We analyzed year-to-date transactions for government customers at November 2011, November 2012 and December 2013. (The MVC could not provide us with year-end data for 2011 and 2012 because those reports had been discarded and could not be reproduced.) We found that approximately 418 government customers were overcharged a net total of \$346,000 during these three years; this was due almost exclusively to charging for abstracts.

We also noted that MVC's CAIR policy permits charging government customers a one-time fee of \$150. However, the fee is charged annually, resulting in a five-year contract cost of \$750.

The annual fee charged to government entities with low volume was not fully offset by transaction fees. A government customer could potentially pay \$150 for zero transactions in one year.

Government Customers - Plate Lookups

The CAIR unit has not properly charged government entities for plate lookups, resulting in lost revenue of \$131,000. Although the administrative code does not specify fees to be charged for other record options, for example, organ donor and plate lookups, it clearly states that the OIT imposes a fee on the MVC for records delivered to customers and that the fee beginning in 2007 is \$0.05. However, the MVC continues to charge \$0.03 for plate lookup records and is not covering the cost imposed by OIT. It should be noted that these entities were not exclusively New Jersey government agencies.

Not-For-Profit Entities

The MVC elected to categorize not-for-profit entities under the government category and has charged these entities in the same manner they charge government agencies. However, according to the administrative code, non-government customers are to be charged between \$12 and \$15 per record depending upon the type and volume of records. Conservatively assuming the lower \$12 per record rate, our analysis of approximately 125 not-for-profit customers from 2011 to 2013 disclosed that the MVC undercharged these customers by \$1.5 million by categorizing them as government agencies.

Recommendation

The MVC should charge all CAIR customers in accordance with the administrative code. In addition, the MVC should consider waiving the annual fee charged to New Jersey government agencies.

Unclaimed Property

Inactive CAIR commercial accounts should be properly addressed.

The CAIR unit has retained cash balances in expired customers' accounts in anticipation that customers will renew their contracts. We found 116 customers with available balances totaling \$47,400 whose contracts have been expired between three and eleven years and access to CAIR records has been terminated. Although the commission attempted to contact the rightful owners, the commission did not forward the unclaimed property to the Department of the Treasury when the owners were unresponsive, as required by statute.

Recommendation

The CAIR unit should attempt to return all expired account balances to the rightful owners. If the rightful owner cannot be found and the account is abandoned, the funds should be forwarded to the Department of the Treasury in accordance with Unclaimed Personal Property law. The CAIR unit should continue this process as inactive accounts meet statutory time frames.

CAIR access controls need to be strengthened.*Expired Contracts with Active Account Access*

The CAIR unit does not notify the MVC IT unit when a customer's access should be terminated; consequently, former customers have retained access to private driver records. The CAIR unit has not developed a standard method to identify customer contracts that are nearing expiration. If a contract is not renewed upon expiration, the IT unit must be notified to remove account access.

We found 87 expired CAIR customer contracts that were categorized as active on the IT unit's customer account log. A sample of 30 accounts showed 9 with account activity beyond their respective contract expiration date. Unbeknownst to the MVC IT unit, 20 of these sampled accounts had previously been suspended by the state's OIT for non-use.

Industry standards suggest that inactive accounts and accounts for terminated individuals should be disabled or removed in a timely manner. For testing purposes, we considered removal within three days to be timely. We selected eight of the customer accounts with activity beyond their contract expiration date and determined that only three had renewed their contract. A customer who accesses CAIR data while under no contractual obligation puts the MVC at risk of violating the federal and state Driver's Privacy Protection Acts (DPPA). Substantial noncompliance with the federal DPPA could result in civil penalties imposed by the U.S. Attorney General.

Individual User Access Removal

The CAIR unit is not notifying the MVC IT unit timely when an individual user's access should be removed. In a sample of ten individual user access removal requests from customers, we found two instances where the individual's portal access was still active during our test, leaving the gateway to the CAIR system accessible. Eight of the ten user logons were removed 7 to 44 days after the request. The lag time to remove individual user's access allowed at least one user to log into the CAIR system three weeks after the contracted customer requested the removal. We also found that customer removal requests were granted through email when internal policy requires individual user account changes be submitted on company letterhead. The CAIR unit reviews removal requests and sends them to MVC IT for removal. The MVC IT unit must assure that both the CAIR logon and the state's OIT portal access are revoked. Failure to complete either process creates a situation where a user can gain unauthorized access to MVC's private driver information.

State Employee User Access

The MVC IT unit assigned state employees high-level access to the CAIR system rather than assigning access based on user-defined roles. There were 50 employees with access to the CAIR production environment. We found that 43 of these employees were given either an MVS-Admin or OIT-CS access level. Both levels allow the user to edit tables, including batch and individual customer fees. The CAIR system does not track user access or maintain a change log, which creates a risk that fees can be changed for a customer by a high-level user and changed back again without detection. We were unable to review activity of the 43 state employee users with the MVS-Admin or OIT-CS access.

We tested users' OIT access to see if the employee accessed any menu option within the MVC COMP System. We found 9 of the 43 users had either an inactive OIT logon or no activity for more than six months, indicating that these users did not have a need for CAIR access.

Recommendation

The CAIR unit should develop a method to identify contracts nearing expiration and prevent customers from accessing expired accounts. In addition, the CAIR unit should accept change requests only on company letterhead and communicate user account changes to the MVC IT unit timely so that the unit can promptly make the appropriate changes. The MVC IT unit should assign state employees access to the system based on job responsibilities and develop a method to identify employees who no longer require access.

Third-Party Monitoring

The CAIR unit should monitor third parties receiving MVC data.

The CAIR unit does not maintain adequate documentation for CAIR customers who obtain information on behalf of third-party clients as required by MVC's regulations. The Federal Driver's Privacy Protection Act (DPPA) requires customers who resell personal data to keep five years of records identifying each person or entity receiving information and the permitted purpose. The MVC is not expressly required by the federal DPPA to monitor customer records to ensure information is not being misused.

CAIR regulations enhance the federal act by requiring third-party (client) lists be submitted by their customers. When a customer purchases CAIR records with the intent of reselling the information to third parties, they must submit client lists that include their mailing address, phone number, and the intended use of the information collected. These client lists must be updated on a quarterly basis and be maintained on file.

We selected five customers to test for compliance with MVC's CAIR reporting requirements. We found one customer did not have a client list and two customers' lists were not up-to-date. In addition, some client lists did not include all required information. Partial information was provided likely because the CAIR unit only requests the client name and address when

quarterly reminder notices are mailed. The unit indicated that they perform a cursory review of the client lists submitted; however, we found no evidence that third-party clients are monitored.

Recommendation

The CAIR unit should adhere to regulations and ensure current and complete client lists are submitted. Customers who fail to submit client lists should have their accounts inactivated until proper documentation is received. The CAIR unit should also implement procedures to proactively monitor CAIR customers.



Bus Inspection Unit

The MVC's Bus Inspection unit is responsible for inspecting approximately 24,000 school buses and 2,000 New Jersey Transit Corporation (NJ Transit) commercial buses twice each year. Additionally, it inspects 4,000 private commercial buses once per year; commercial bus companies are required to conduct one self-inspection annually, which is reviewed and approved by MVC inspectors during a subsequent visit. All inspections are performed at the owner's location. Inspectors use MVC's Vehicle Inspection Information System (VIIS) to record the results of their inspections. Inspection fees range from \$30 to \$115 depending upon the customer and type of inspection conducted. Inspections are billable only after the bus has passed the inspection. The unit deposits approximately \$1.9 million annually.

The Bus Inspection unit needs to enhance its accounts receivable systems to comply with the Department of the Treasury's circular letter and streamline its billing processes.

The Bus Inspection Unit employs three distinct methods of tracking bus inspection accounts receivable that are cumbersome, duplicative, time consuming, and have led to data entry errors, overbilling, and missed billings. None of the three methods comply with the requirements of Department of the Treasury Circular Letter 13-11-OMB.

The circular letter requires that a computerized database be designed to accurately capture specific components related to the debt and debtor and be capable of tracking and reporting debt on open accounts. We tested the private commercial and school bus computerized systems and found that the systems do not include all of the components required by the circular letter. We also found that the fields that are available are not used in a consistent manner and contain errors including erroneous postings, miscalculated receivable balances, incorrect check payment references, and incorrect payment receipt dates. The method of tracking accounts receivable for NJ Transit bus inspections is strictly manual and does not comply with the circular letter. Summary information cannot be retrieved from any system for management review or other purposes. In addition, the accounts receivable systems and the VIIS for the school bus and commercial bus inspections do not interface, resulting in excessive work and the potential for errors. Although there was a potential for fraud in all three methods, our tests did not disclose any suspicious activity.

Recommendation

The existing accounts receivable systems should be enhanced to include all of the required components of the circular letter for all inspection types. The inspection unit should utilize the data captured in the VIIS to initiate the billing process and eliminate duplication in the unit by decreasing the amount of data entry required in the accounts receivable systems.

**Observation****The MATRX Project**

In November 2012, we issued a report on MVC's Non-Payroll Expenditures that included a finding regarding the information technology overhaul project called MATRX. In that report we noted that the contracted timeframe set for completing the project was not realistic and did not provide MVC management with the ability to budget costs. As a result of the poorly written contract, the duration and the cost of the MATRX project were not accurately projected, necessitating numerous contract extensions and leading to significant cost overruns.

The continued inability of Hewlett Packard (HP), the contract vendor, to complete the MATRX project has had significant ramifications on the MVC's IT projects.

The Commercial Driver's License Information System Modification (CDLIS Mod) is a federally required, nationwide computer system that enables state driver licensing agencies to ensure that each commercial driver has only one driver's license and one complete driver record. The MVC expected to implement their fully operational CDLIS Mod as part of the final phase of the MATRX project, which was originally scheduled for completion in January 2012. Due to extensive MATRX project delays, and in order to meet federal deadlines without sanction, the MVC was forced to develop the CDLIS Mod internally and has deployed all available MVC IT resources to accomplish this task. The MVC has estimated costs to develop the CDLIS Mod in-house to be \$8 million.

The CDLIS Mod project has caused all production on the MATRX project to be suspended until December 31, 2014. The majority of HP's employees were removed from the MATRX project as of July 2014 leaving only those required to support the systems already in production.

The MVC also allowed the contract for the MATRX oversight vendor to expire in September 2014. The MVC had drafted a Request for Proposal for a new oversight vendor, but it never was issued because of the suspension of the MATRX project and the uncertainty as to when the project will resume.



New Jersey Motor Vehicle Commission

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STATE OF NEW JERSEY

December 19, 2014

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Governor

Kim Guadagno
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Raymond P. Martinez
Chairman and Chief Administrator

Dear Mr. Eells:

The Motor Vehicle Commission (MVC) has prepared a response to your letter dated December 2, 2014 regarding the Motor Vehicle Commission Revenue Audit. By virtue of your report, the Commission will be able to strengthen its internal controls regarding revenue collections and processing.

The Commission is currently reviewing its technology plans to implement a new Customer Abstract Information Retrieval (CAIR) system that should remedy most of the findings in the report. In addition, we are aware of our need for an accounts receivable system and are exploring options that will meet the needs of every division within the MVC. We will also work with our partners at the Office of Information Technology (OIT) to address access controls for various programs within the Commission.

While the timeframe for the CAIR project has not yet been established, we are addressing the current issues of the timely depositing of revenues and the segregation of duties by instituting new policies and procedures. The MVC is in the process of developing a training program for our employees.

It is my understanding that this is the final audit for the Commission. I appreciate the professionalism displayed by your staff and believe their findings will result in better business and financial controls.

Respectfully Submitted,

Raymond P. Martinez
Chairman and Chief Administrator

RPM/CH/rmg

cc: Jeanne Ashmore, Deputy Chief Administrator
Selika J. Gore, Deputy Administrator of Operations
Richard J. Miller, Deputy Administrator of Finance & Administration
Carol-Ann Hollows, Director of Financial Management

Revenue Audit Response

Division: Customer Information & Advocacy and the Division of Compliance & Safety

Finding: Units that receive driver fee revenue should properly document collections and fully process receipts on the same day as received.

Management Response: When the Motor Vehicle Commission (MVC) reorganized some of its divisions several years ago, financial processes were distributed between these two divisions. The Commission agrees with the finding that duties should be segregated, logs should be kept and reconciled, and deposits should be made according to Treasury's Circular Letter 12-02 OMB. The Commission also already started to implement some of the recommendations within the report.

Division: Business Government Services

Finding: The Business Government Services Unit should utilize its tracking system to identify receipts and segregate incompatible revenue collection duties.

Management Response: The MVC agrees with this finding and will segregate the major steps of the revenue collection process and will reconcile revenues to reports on a daily basis. The Commission is already in discussions with the Office of Management and Budget (OMB) regarding a new check scanning process.

Division: Agency Support Services

Finding: The revenue functions of this division should be properly segregated and controls should be added to address the lack of system reporting.

Management Response: MVC agrees with this finding and will segregate the revenue collection process in accordance with the finding. It will also implement a cash log or other means of documenting receipts to enhance controls over revenues that are not posted to a system. These revenues will be reconciled to daily summary reports.

Untimely Deposits

The MVC should ensure that all units responsible for making deposits do so in a timely manner.

Management Response: Unlike the 39 Motor Vehicle Agencies located throughout the State, the respective areas within the Trenton Office Complex have not been trained on the guidelines in the circular letter which requires all checks to be deposited within 24 hours of receipt. MVC is in the process of establishing a training program for all employees at the Trenton Office Complex regarding deposits and segregation of duties. In addition, MVC is in discussions with OMB to utilize the current banking contract with Wells Fargo for services associated with a check scanning process which would strengthen MVC's internal controls.

Revenue Audit Response

Customer Abstract Information Retrieval

The CAIR Unit needs to properly bill all customers requesting driver-related records in accordance with the Administrative Code.

Management Response: The MVC is currently exploring new technologies to support a new Customer Abstract Information Retrieval System (CAIR). In addition, the Commission is developing the requirements for a new program that would remedy most of the issues identified below by the Office of the State Auditor.

⇒ ***Government Customers - Abstracts***

Management Response: The MVC is in the process of developing a new web-based CAIR system that should avoid any errors in billing, collection, and identification of inactive accounts for government and private entities. The Commission will also review its administrative processes regarding government agencies to ensure the correct billing.

⇒ ***Government Customers – Plate Look-ups***

Management Response: The Commission has already amended the contracts of two of the four customers that were being charged \$.03 per record. The remaining two contracts are in the process of being amended.

⇒ ***Not-for Profit Entities***

Management Response: It has been MVC policy not to charge “not-for-profit” registrations on certain vehicles. To maintain consistency within the Commission, the CAIR Unit has followed the same policy when providing data to “not-for-profit” entities. The MVC will review its current policy and adjust accordingly.

⇒ ***Inactive CAIR commercial accounts should be properly addressed.***

Management Response: The MVC will establish guidelines pursuant to the Unclaimed Personal Property law. The Commission is anticipating that the new CAIR system will identify those accounts that have been designated as inactive.

⇒ ***CAIR access controls need to be strengthened for expired contracts with active account access, individual user access removal, and State employee user access.***

Management Response: As previously stated, the MVC is reviewing its options to institute a new CAIR system that will support most of the access and timeliness issues. In the meantime, the Commission will develop a method to identify contracts nearing expiration and establish policies and procedures for removing access to individuals and State employees.

⇒ ***The CAIR Unit should monitor third parties receiving MVC data.***

Management Response: The MVC is re-enforcing its policy that all CAIR customers that sell data to a third party must supply a client list to the MVC quarterly. In addition, the CAIR Unit is exploring other ways to proactively monitor CAIR customers to ensure that we are in compliance with the State and federal Driver Privacy Protection Act.

Revenue Audit Response

Bus Inspection Unit

Finding: The Bus Inspection Unit needs to enhance its accounts receivable systems to comply with the Department of Treasury's circular letter and streamline its billing processes.

Management Response: The Commission is reviewing its options for the establishment of an accounts receivable system. This system would ensure that the Commission is abiding by Circular Letter 13-011-OMB that requires a computerized database along with specific business and personal information.

The Commission is also reviewing the three databases that track bus inspection accounts with the intention of establishing a single database that should avoid overbilling and missed billings of commercial vehicles. It is anticipated that an accounts receivable system would remedy some of the issues; however, there is no set timeframe for the new system.

Furthermore, the MVC is implementing new procedures and guidelines to ensure adequate billing and collection of revenues.